

WAYS AND MEANS CO-CHAIR BUDGET REVIEW
Attachments

Subcommittee on Education

Bill	Agency	Analyst
HB 5007	Chiropractic Examiners, Board of	Dauenhauer
HB 5013	Dentistry, Board of	Bushman Reinhold
HB 5015	Education, Department of	Wilson
HB 5016	Education, Department of – State School Fund	Wilson
HB 5022	Health-Related Occupational Licensing Boards	Bushman Reinhold
HB 5024	Higher Education Coordinating Commission	Wilson/Beitel
HB 5012	Mental Health Regulatory Agency	To
SB 5529	Pharmacy, Board of	To
HB 5008	Social Workers, Board of Licensed	Walker
SB 5537	Teacher Standards and Practices Commission	Wilson

Oregon Board of Chiropractic Examiners

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	1,672,562	2,014,079	2,027,840	2,224,331	2,256,554
Total Funds	1,672,562	2,014,079	2,027,840	2,224,331	2,256,554
Positions	6	6	6	6	6
FTE	5.10	5.10	5.10	5.10	5.10

* Includes Emergency Board and administrative actions through December 2018.

Program Description

The mission of the Oregon Board of Chiropractic Examiners (OBCE) is to serve the public, regulate the practice of chiropractic care, promote quality, and ensure competent ethical health care. The Board regulates Doctors of Chiropractic and Certified Chiropractic Assistants through examination, licensing, and disciplinary programs. The seven-member board is appointed by the Governor and composed of five chiropractic physicians and two public members.

CSL Summary and Issues

The CSL projected beginning balance is underestimated by roughly 55% based on current spend rate as of December, 2018. CSL estimates that the agency will have and beginning balance of \$395,755 Other Funds (OF), however updated projections indicate that the beginning balance will be closer to \$878,595 OF. Updating the beginning balance will change the ending balance, which is \$298,472 Other Funds in CSL, the equivalent of 3 months of operating expenditures; updated projections indicate that the ending balance will be closer to \$781,312 OF, or 8 months of equivalent operating expenses.

Policy Issues

The OBCE requests the following policy option packages for 2019-21:

- Package 100 - This package requests a \$36,680 Other Funds expenditure limitation increase to fund the Chief Human Resources approved reclass of the Executive Director from a PEM-C to a PEM-D. The request to evaluate this position was made in July 2017: CHRO approved the reclass with an effective date of August 1, 2017.
- Package 101 - This package requests a \$40,000 Other Funds expenditure limitation increase to fund the replacement of the Microsoft Access licensing database originally installed in 1993. An updated, more user-friendly interface will be incorporated to bring together and track all electronic files, which frees up staff time to focus on public inquiries.

Other Significant Issues and Background

None at this time.

Dentistry Board

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	2,650,838	3,277,010	3,328,763	3,491,238	3,609,564
Total Funds	\$2,650,838	\$3,277,010	\$3,328,763	\$3,491,238	\$3,609,564
Positions	8	8	8	8	8
FTE	8.00	8.00	8.00	8.00	8.0

*Includes Emergency Board and administrative actions through December 2018.

Program Description

The Board of Dentistry regulates the practice of dentistry and dental hygiene through examination, licensing, and disciplinary programs. The Board also establishes standards for the administration of anesthesia in dental offices; determines dental procedures that may be delegated to dental assistants; and establishes standards for training and certification of dental assistants. The Board is 100% Other Funds with revenue generated from application, renewal, and licensure fees.

CSL Summary and Issues

The 2019-21 CSL budget of \$3.5 million is a 4.9 percent increase over the 2017-19 Legislatively Approved Budget. The CSL budget would leave an ending fund balance of 5.5 months. Updated beginning balances for 2017-19 and 2019-21 have improved the ending fund balance which is now estimated to be 12 months. There are no significant issues regarding the Dentistry Board's current service level.

Policy Issues

Like many of the other small boards, the Board of Dentistry needs to upgrade its licensing database. The Board initially believed that fee increases were necessary to the support IT project. Updated revenue projections have negated the need for a license fee increase. LFO will update the Board's beginning fund balance and revenue projections as part of the budget process to reflect the updated numbers.

The following is a brief summary of the Board's requests.

- Licensing Database (\$100,000). The Board is transitioning desktop support to DAS and will upgrade to a new licensing database. Exact costs are unknown at this time. The \$100,000 increase in limitation is the best estimate available.
- Board proposes establishing a non-resident dental permit background check fee of \$5 to cover administrative costs. No fee is currently charged for this service.

**Oregon Department of Education
and
State School Fund**

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

Program Description

Grant-in-Aid programs pay out grants to school districts, Educational Service Districts (ESD) and other entities for educational and support services for students, often students with special educational needs. Almost half of the General Fund in these programs is represented by Ballot Measure 98's High School Graduation and College and Career Readiness Act which represents over \$303 million of the 2019-21 CSL. Ballot Measure 98 is also responsible for the significant General Fund and Other Funds growth starting in 2017-19. The next largest program (\$194 million) is the Early Childhood Special Education (ECSE) and Early Intervention (EI) programs which assists children with disabilities and their families to improve developmental status and increase their school readiness. The ECSE is federally mandated and serves children from age 3 to when they begin school while the EI program serves students from birth to age 3.

The Regional Programs provides specialized services to children with hearing and/or vision impairments, autism spectrum disorders, and severe orthopedic impairments. Grants for educational services are provided in long term mental health programs or in hospitals. Federal Funds are the primary source of funding for school lunch and other nutritional programs, federal compensatory education programs (Every Student Succeeds Act or ESSA), and for special education (IDEA). State educational reform efforts in the past few years have led to the increase in CTE related grants and in a series of strategic initiatives including the Network for Quality Teaching (professional development), and student achievement initiatives directed to specific groups of students such as English Language Learners, Native Americans, or African Americans.

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

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

CSL Summary and Issues

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

Policy Issues

- The Long Term Care and Treatment (LTCT) program provides funding for educational services only for students in select day and residential mental health related treatment programs. Funding comes from a combination of General Fund dollars, a carve-out from the State School Fund which is treated as Other Funds in this budget area, and Federal IDEA (Special Education) and Title I-D dollars. The LTCT program only funds educational services in 39 of the over 200 day and residential programs run throughout the state. Those LTCT funded programs are included on the "Christie List." This list was created in the early 1990s when the LTCT program was established by the Legislature and included the day and residential programs that were in place at the time. Since then, additional day and residential treatment programs have been created; but because of funding constraints the newer programs have not been added to the "Christie List" and therefore do not received specific ODE LTCT funding. ORS 343.961 requires the school district in which the programs not on the "Christie List" reside must pay for the educational services in these programs utilizing local school formula revenue and other available funds to the school district. ODE estimates this LTCT funding only funds roughly 75% of the costs under the current funding model for the

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

Other Significant Issues and Background

- Over the past two to three biennia there have been major changes in what programs are included in this budget unit. While most of the core federal programs and those dealing with special populations have been retained, programs dealing with Early Literacy, Post-Secondary Aspirations/Accelerated Credits, STEM/CTE, educator effectiveness, professional development and achievement gaps have been changed significantly. The major reasons for this is changing priorities of Governors and Legislators on various school reform efforts. Partially because of this, many districts have raised the concern of the changing nature of grants and their dislike of the competitive grants generally. This likely to continue for the 2019 Session as the Executive Branch reviews funding for teacher professional development through an Educator Advancement Council proposal and the Joint Legislative Committee on Student Success will also come forward with recommendations.
- HB 3072 (2015) established the Connecting Education to Careers Account which is to fund CTE/STEM programs starting in 2017-19. 40% of the Account is to go to STEM activities and 60% for CTE activities. ODE is to distribute the funds based on recommendations of the STEM Investment Council and a CTE related committee. The issue to consider is whether the Legislature should transfer its authority to designate the use of funds appropriated by the Legislature to this degree. In addition, it is unclear how the full “roll-out” of Ballot Measure 98 should affect this. For 2017-19, there was a one-time decision to not apply the HB 3072 requirements to these grant programs.
- There is either federal matching requirements or maintenance of effort (MOE) requirements for ODE programs including special education, Perkins vocational education, and nutritional programs. At risk are tens of millions of federal dollars if these requirements are not met. The most significant one is the MOE for special education with the funding provided in part by the additional weighting in the school funding formula for special education students. At this time, there is not risk of not meeting this unless major reductions are made to existing state-funded programs.
- The 2019-21 CSL includes \$4.5 million total funds for grants to districts for physical education (PE) related grants. Over the next few biennia starting with elementary grades in 2019-21, new requirements will kick-in on how many hours per week must be spent on PE related activities for students. This amount of funding will likely not cover the net new costs for these requirements including facility related costs. The more significant challenge will be when middle school grades are subject to the new requirements.
- The Governor’s 2019-21 budget makes numerous changes from 2019-21 CSL in this budget area including:
 - Eliminate inflation on most programs unless protected like the EI/ECSE;
 - Eliminated General Fund (and in many cases the entire program) for Supporting Accelerated Learning Opportunities, Vision Screening, and Farm to School program (nutrition);

- Significantly reduced General Fund for Ballot Measure 98, Physical Education grants, Regional Programs, CTE Revitalization grants, and Long-Term Care and Treatment;
- Significantly added General Fund for Accelerated Learning, Regional Promise grants, and African American Education Plan;
- Establish new programs including Safe Schools, Native American Curriculum (was designated a one-time expenditure in 2017-19), state funding for School Improvement grants, and American Indian/Alaskan Native State Plan.

Early Learning and Youth Development Grant-in-Aid					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	232,917,267	261,091,792	261,091,792	270,964,891	280,964,891
Other Funds	14,419,717	17,862,277	17,862,277	18,541,044	18,541,044
Federal Funds	112,935,829	121,785,508	134,435,414	126,413,357	144,663,903
Total Funds	360,272,813	400,739,577	413,389,483	415,919,292	444,169,838
* Includes Emergency Board and administrative actions through December 2018.					

Program Description

During the 2013 Legislative Session, two new divisions within the Oregon Department of Education (ODE) were established -- Early Learning and Youth Development. The grant-in-aid programs of both divisions are found in this budget area, while the staff is part of the Operations budget unit. The Early Learning Division (ELD) combined programs from elsewhere in ODE, child care programs from the former Child Care Division of the Employment Department, and programs which had been part of the Commission for Children and Families. The ELD's programs in large part rely on a system of local organizations called Early Learning Hubs for local priority setting, and local coordination. A significant amount of the largest federal funding source – Child Care Development Block Grant funding – is transferred to the Department of Human Services for the Employment Related Day Care program (ERDC).

The Youth Development Division's (YDD) programs are designed to provide supportive services to break down the barriers for youth to age 24 who are challenged in their academic and career success. Many of the YDD programs were also part of the former Commission for Children and Families' portfolio.

2019-21 Current Service Level -- Millions of Dollars

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

CSL Summary and Issues

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

Policy Issues

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

Other Significant Issues and Background

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

- Depending on the amount of resources available, there will likely be requests for significant increases in funding for early learning programs various legislative groups including the Joint Committee on Student Success.
- The 2019-21 Governor's budget has made early learning a priority. The budget includes increases of \$10 million General Fund and \$13.1 million in CCDBG funds for a new Babies Promise program which is to fund infant and toddler day care by providers who meet certain quality standards. There is a statewide shortage of these providers. There is also a \$15.2 million increase in Office of Child Care for greater support for child care providers, more training and technical assistance, much of which is roll-up of funding approved by the September 2018 Emergency Board (there are similar increases for staffing in the Operations budget area).

Operations, Educator Advancement Council and the Oregon School for the Deaf

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

Program Description

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

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

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

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

CSL Summary and Issues

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

Policy Issues

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

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

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

Other Significant Issues and Background

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

Bonding Program and Debt Service					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	-	18,263,417	18,239,116	32,479,290	32,479,290
Lottery Funds	1,434,923	651,225	651,225	692,870	692,870
Other Funds	-	104,297,558	143,634,175	130,000,000	230,935,000
Total Funds	1,434,923	123,212,200	162,524,516	163,172,160	264,107,160
* Includes Emergency Board and administrative actions through December 2018.					

Program Description

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

The Lottery Funds is the debt services for bonds approved by voters in November 1997 and issued in Spring 1999; as well as \$127 million of bonds approved by the 1999 Legislative Assembly and issued in 1999-2001 for state education projects as defined in HB 2567 (1999). Funds provided to districts from the bond proceeds were intended for the acquisition, construction, remodeling, maintenance, or repair of school facilities. Schools also could use the proceeds for certain operational expenses, such as textbooks, computers, and instructional training. These Lottery bonds should be paid off completely in 2019-21. The Lottery Funds are from a portion of the investment earnings of the Education Stability Fund. Any of these investment earnings not required for this debt service are dedicated to the Oregon Opportunity Grant program.

CSL Summary and Issues

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

Policy Issues

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

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

Program Description

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

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

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

CSL Summary and Issues

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

Policy Issues

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

Other Significant Issues and Background

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

Health Related Licensing Boards

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	5,101,941	5,910,978	6,204,915	6,617,355	7,111,976
Total Funds	\$5,101,941	\$5,910,978	\$6,204,915	\$6,617,355	\$7,111,976
Positions	21	21	21	22	22
FTE	20.25	20.25	20.25	20.75	21.5

*Includes Emergency Board and administrative actions through December 2018.

Program Description

The Health-Related Licensing Boards (HRLB) consists of six independent boards: the Board of Naturopathic Medicine, the Mortuary and Cemetery Board, the Occupational Therapy Licensing Board, the Board of Medical Imaging, the Board of Examiners for Speech-Language Pathology, and the Veterinary Medical Examining Board. Each board operates in essentially the same manner, licensing and regulating their particular licensees according to their individual statutory guidelines. Board staff reside in the State Office Building in Portland, with four of the boards inhabiting a shared office space.

CSL Summary and Issues

The HRLB is funded primarily through licensing registration and renewal fees, fines and forfeitures and sales income. There is no General Fund revenue.

The budget submission for 2017-19 included incorrect revenue projections for the biennium for several of the Boards. The expenditure limitation for these Boards was reduced to balance their 2017-19 budgets. The affected Boards have struggled under the reduced limits. The 2019-21 revenue projections are also incorrect for these same Boards. LFO recommends correcting the 2019-21 revenue projections based on actuals for this biennium and increasing the expenditure limitation based on historical expenditure levels to allow the affected Boards to function properly.

The HRLB also understated the projected 2019-21 beginning balances for most of the Boards. LFO will review the actuals-to-date prior to the Subcommittee review of this budget and propose a beginning fund balance adjustment for the 2019-21 budget. The ending fund balance for each Board is sufficient to cover the CSL budget, as well as the costs associated with the reclasses and the IT package. The net revenue adjustments will increase the ending fund balance.

Other Significant Issues and Background

In 2016, the HRLB ceased using DAS Shared Financial Services and hired a shared accountant. The accountant resigned in September 2018 after a series of missteps, including budget submission errors. The HRLB has requested and received permission from DAS to reclass the accountant position to a Fiscal Analyst 2 and are in the process of hiring for this position. The HRLB contracted for an internal audit to uncover any accounting errors incurred since 2016, and to provide “best practice” guidance to the HRLB going forward.

The Boards of the HRLB currently use separate licensing databases developed and maintained by a single contractor. These databases are outdated and no longer supportable. The Boards are in the process of procuring a new database. The total cost of the technology upgrade and desktop specialist is \$420,000. Each Board has submitted a policy option package to cover their portion of the IT package.

A review of HRLB staff revealed discrepancies between personnel classifications for staff performing the same work. These discrepancies extended to the Executive Directors of the six boards. DAS CHRO has approved reclassifying several positions in the agency to resolve the discrepancies. The reclassification process for the affected Executive Directors is underway with DAS. The Boards have submitted policy option packages to cover the reclassified positions, as well as the anticipated reclasses for the affected Executive Directors.

Higher Education Coordinating Commission

HECC Operations and Programs					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	38,038,197	31,611,113	35,163,956	39,235,606	43,611,149
Other Funds	22,674,703	34,277,137	35,810,339	29,218,892	41,312,441
Other Funds (NL)	1,144,104	206,000	206,000	206,000	206,000
Federal Funds	81,642,393	114,075,784	118,191,072	127,286,360	127,173,974
Federal Funds (NL)	2,489,208	18,968,831	18,968,831	19,689,647	19,689,647
Total Funds	145,988,605	199,138,865	208,340,198	215,636,505	231,993,211
Positions	142	124	134	132	136
FTE	123.63	116.20	120.33	122.07	125.25

*Includes Emergency Board and administrative actions through December 2018.

Program Description

This program unit includes all the staffing for the Higher Education Coordinating Commission (HECC) and all the program resources other than the funding going to or on the behalf of Public Universities, the Oregon Health and Sciences University, Community Colleges (including Oregon Promise), and the Oregon Opportunity Grant program. Also, not included in this program unit are the state paid debt service and capital construction limitation for Public Universities, Oregon Health and Sciences University and Community Colleges.

There are three primary areas in this program unit:

- **HECC Operations** (\$24.0 million GF/\$57.5 million TF, and 132 positions in 2019-21 CSL) -- This area includes all of the agency staff including (1) agency leadership, general operations (e.g. financial services) and research, (2) staff responsible for directing and coordinating the public university system, (3) staff and operations of the Degree Authorization and Professional Career Schools programs, (4) staff and programs (other than the direct aid payments, debt service and capital financing paid to the 17 Community Colleges) of the former Department of Community Colleges and Workforce Development, (5) workforce related staff currently located at the Oregon Employment Department, and the (6) staff and programs of the Office of State Access and Completion (OSAC) not including the Oregon Opportunity Grant and the Oregon Promise program.
- **Workforce and Other Special Payments** (\$8.5 million GF, \$135.6 million TF) which are the primary workforce programs administered by the State. The largest program is the federal Workforce Innovation and Opportunity Act with resources generally distributed to local Workforce Boards for assisting unemployed and underemployed workers with skills assessment, training and other employment programs. Also included in this area is the program funding associated with an original \$10 million GF workforce investment a few years ago which has been reduced to \$8.5 million for 2019-21. Many of the services under this area are provided in coordination with the Oregon Employment Department. The functions of the former Talent Council have been integrated into the HECC's workforce programs

and staff. Also, in this area is the Oregon Youth Conservation Corps program which provides education, training, and employment opportunities to disadvantaged youth ages 13 through 24. Funding is from the Amusement Device Tax and contracts with state and federal natural resources agencies.

- **Other Student Assistance Programs** (\$6.8 million GF, \$15.7 million TF) includes programs providing financial assistance for post-secondary students. Most of the expenditure limitation is related to the private scholarship programs administered by OSAC. The General Fund is for a child care grant program (\$1.0 million GF) and the new National Guard Tuition Assistance program authorized by the 2018 Legislature (\$5.2 million GF). The Oregon Promise program is part of the State Support for Community Colleges while the Oregon Opportunity Grant program is its own budget unit.

CSL Summary and Issues

- The 2018 Legislature approved the transfer of the Oregon Volunteers Commission and programs from the Governor's Office to HECC. One of the programs administered by the Commission is the AmeriCorps program. Funding of \$250,000 General Fund and \$3.6 million Federal Funds was included in the base budget while another \$27,388 General Fund and \$3.3 million Federal Funding was phased-in for the CSL representing the full two-year amount for the program's budget. The General Fund is required as a match for the federal funding included in the Commission's budget. There are six full and part-time positions associated with this program.
- There are one-time appropriations made in the 2017-19 budget which are not included in the 2019-21 CSL. These include various task force or committee staffing provided by HECC for special projects established by legislative bills (e.g., Task Force on Student Mental Health Support), and one-time funding for specific programs including Open Educational Resources, College Possible grants, and First-Year Coursework. Also phased-out of the CSL was the issuance costs for bonds authorized in 2017-19. During the 2019 Legislative Session, estimated issuance costs will be added for bonds authorized for 2019-21.
- An additional \$2.7 million General Fund was added to the existing \$2.5 million General Fund in the base budget to fully fund the new National Guard Tuition Assistance program which assists existing National Guard members with tuition costs while working on a Bachelor or Associate degree at an Oregon public university or community college. To be eligible, the recipient must not have already received a Bachelor or higher degree.
- There is a shortfall in the fee revenue for the Private Career Schools program of \$323,000 Other Funds which will either have to be backfilled with increased fee revenues or General Fund, or two positions will need to be reduced. The Governor's budget assumes a fee increase to fill this need.

Policy Issues

- During the 2013-15 biennium, an effort was made by the Governor's Office to transfer what is now HECC's workforce development/investment staff and programs to the Oregon Employment Department (OED). The Legislature did not approve such a transfer at that time but did provide the State Workforce Investment Board with more authority over some of the Employment Department's programs. The Executive Branch did go ahead establish an interagency agreement to increase coordination as well as to physically co-locate a significant portion of the workforce staff with OED.

Other Significant Issues and Background

- HECC continues to build its infrastructure including information systems as a new agency as well as to continue efforts of the former component agencies. One major project is the replacement of the information system for the student aid programs including the Oregon Opportunity Grant. Sensitive and confidential information is accessed and maintained by the current system, and data security is an important issue. The initial stages for this program have been under way for years; and for at least the third time, funding is requested in the Agency Request budget for its development. A viable business case has yet to be completed.
- The structure of the agency continues to be partially “siloe” as many staff associated with community colleges are separate from the staff associated with public universities. There has been some effort to further integrate; but if the Legislature wants to further integrate post-secondary education, this may be one place to explore.
- The HECC has started new programs, some of which require more time to determine if participation in the program and funding is in line with estimates. Since these are new programs, there will likely continue to be uncertainty in the long-term funding need. These include the Oregon Promise program as well as the National Guard Tuition Assistance program recently started.
- The Legislature continues to ask HECC to staff several task forces, workgroups and other functions. While in many cases one-time funding and staff are authorized, these often take away from their core mission of oversight and coordination of post-secondary education.
- The Governor’s 2019-21 budget increases by \$4.4 million General Fund over the CSL primarily from a \$4.1 million increase in workforce related programs as well as a new Workforce System Alignment Manager position. Other increases include resources for additional procurement, human resources and internal auditor positions. The increase in Other Funds limitation between CSL and Governor’s budget is primarily due to the cost of issuance for bonding authority included in the budget and the transfer of \$9 million from the Oregon Department of Education for tuition and other financial assistance for child care workers who are pursuing degrees and certifications and the Oregon Scholars Program.

HECC - State Support for Public Universities

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	942,156,082	1,057,495,463	1,058,505,322	1,154,905,146	1,079,734,551
Lottery Funds	40,418,608	64,121,610	64,121,610	95,424,861	58,519,205
Other Funds	322,798,793	331,725,000	408,615,132	--	173,000,000
Other Funds (NL)	682,127,120	212,840,781	243,816,758	203,917,130	203,917,130
Federal Funds (NL)	625,641	4,587,374	4,587,374	4,597,230	4,597,230
Total Funds	1,988,126,244	1,670,770,228	1,779,646,196	1,458,844,367	1,519,768,116

* Includes Emergency Board and administrative actions through December 2018.

Program Description

Oregon's seven public universities include the University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), Eastern Oregon University (EOU), Western Oregon University (WOU), Southern Oregon University (SOU), and the Oregon Institute of Technology (OIT). OSU has also established a branch campus in Bend: OSU Cascades. Prior 2013, the public universities were part of the Oregon University System (OUS). Passage of SB 242 (2011) and SB 270 (2013) changed the organizational structure and governance of the state's public universities. OUS, which had previously been the state agency for the state's public universities, was redefined as seven separate public universities each with a governing board. While the Higher Education Coordinating Commission (HECC) provides statewide coordination of the public universities, the separate governing boards have the authority to manage their respective institutions, including setting tuition and hiring the university president. The Legislature no longer approves university budgets or limits their expenditures from tuition and other sources.

CSL Summary and Issues

Public University Support Fund – \$777,428,006 General Fund

The Public University Support Fund (PUSF) includes the state funding for instruction, research, and operations of the seven public universities and represents the largest share of state support for public universities. HECC allocates the PUSF to the public universities using the Student Success and Completion Model (SSCM). The SSCM distribution formula considers multiple factors, including enrollment and academic outcomes, such as resident degree and certificate completions. Prior to 2015-16 academic year, the PUSF had been allocated using the Resource Allocation Model (RAM), which was primarily based on enrollment.

The 2019-21 current service level (CSL) budget of \$777.4 million for the PUSF is \$40.5 million (or 5.5%) more than the 2017-19 legislatively approved budget (LAB) of \$736.9 million. Historically, funding for public university education and program support was part of the OUS budget and CSL was calculated much like other state agencies. However, the change in status to separate non-state agency entities also

changed the budgeting for public university support. Beginning in the 2015-17 biennium, state support for public universities was (and continues to be) budgeted in HECC as special payments, which receive the standard inflation factor for non-state employee personnel costs (contract providers) in the CSL budget calculation (4.2% in 2019-21). In addition to the standard inflation rate provided for contract providers, the PUSF also received an additional 1.3% increase, for total 2019-21 inflation of 5.5%, based on a CSL calculation methodology approved by the Legislature in 2017 that better reflects actual increases in health and retirement benefits for university employees.

During the 2016 legislative session, a budget note was adopted directing the Legislative Fiscal Office and the Department of Administrative Services to estimate what the 2017-19 CSL cost for the PUSF, Agricultural Experiment Station, Extension Service, Forest Research Laboratory, and public university state programs would be if the state used the same model that has been used for calculating CSL for the Community College Support Fund (CCSF). This was done to ensure consistency in post-secondary state support CSL calculations. The CCSF model applies more accurate growth rates to actual educational and general expenditures, including retirement costs, health benefits, pension obligation bonds, other personal services, and services and supplies costs. CSL for public university support was calculated using the CCSF model and included as a request in HECC's 2017-19 budget. In 2017, the increased CSL inflation rate calculated using the CCSF model was approved and the methodology adopted for public university CSL calculations in subsequent biennia.

Public University State Programs - \$42,638,996 General Fund

Public University State Programs includes General Fund support for a variety of institutions, centers, and programs operated by public universities that address economic development, natural resource, and other public policy issues, rather than primarily providing instructional support for institutions and students. Many of these programs have an industry-specific focus, and match state support with funds from the private sector and other sources.

The 2019-21 CSL budget of \$42.6 million for state programs is \$3.6 million (or 7.7%) less than the 2017-19 LAB of \$46.2 million. The decrease in CSL is attributable to the removal of one-time funding included in the 2017-19 LAB for capital projects at EOU (\$1.2 million) and OSU Cascades (\$490,000); OSU's Molluscan Broodstock Program (\$570,000) and Ocean Acidification Research (\$280,000) projects; a grant for the PSU/OHSU Center for Violence Prevention Research (\$250,000); and match for OSU's NW National Marine Renewable Energy Center wave energy test site (\$3 million). Funding approved in 2017 for two new programs, the Renewable Energy Center at OIT and Willamette Falls Locks Commission is included in the 2019-21 CSL. Continuing public university state program funding was increased by an inflation rate of 5.5%, based on the CSL calculation methodology described in the PUSF section above.

Statewide Public Services - \$130,851,972 General Fund / \$46,805,847 Lottery Funds

OSU, as the state's land grant college, operates three Statewide Public Service Programs, which each receive separate General Fund appropriations:

- The **Agricultural Experiment Station** (\$69.7 million) conducts research in the agricultural, biological, social, and environmental sciences at a central station in Corvallis and at branch stations across the state.

- The **Extension Service** (\$50.3 million) is the educational outreach arm of OSU as Oregon's Land, Sea, Sun, and Space Grant-university connecting communities with research-based knowledge.
- The **Forest Research Laboratory** (\$10.8 million) conducts research into forest management, ecosystems, and renewable materials.

The Extension Service 2019-21 CSL budget also includes \$46.8 million Lottery Funds for the Outdoor School Program available through the passage of Measure 99 in 2016.

The 2019-21 CSL budget of \$130.9 million General Fund for statewide public services is \$6.4 million (or 5.2%) more than the 2017-19 LAB of \$124.4 million. General Fund support for the Statewide Public Services Programs was increased by an inflation rate of 5.5%, based on the CSL calculation methodology described in the PUSF section above, after the removal of one-time funding for Agricultural Experiment Station positions at the Hermiston and North Willamette Research Centers (\$380,000). The 2019-21 CSL budget of \$46.8 million Lottery Funds for Outdoor School is \$22.8 million (or 95%) more than the 2017-19 LAB of \$24 million. The substantial increase in CSL is attributable to phasing in the full biennial cost of the Outdoor School Program. Measure 99 dedicated 4% of net lottery proceeds, up to a maximum of \$22 million annually (adjusted for inflation) to the Outdoor School Education Fund beginning July 1, 2017. The 2017-19 LAB included approximately 54% of the funding authorized by the ballot measure, which allowed the program to be phased in over its first two years.

Sports Lottery - \$14,099,809 Lottery Funds

The 2019-21 CSL budget for Sports Lottery is \$14.1 million, which reflects the 1% of net lottery proceeds statutorily dedicated for public university sports programs and scholarships, based on the June 2018 revenue forecast. This is a \$5.9 million (or 71.1%) increase over the 2017-19 LAB of \$8.2 million. In 2017, the Legislature approved a fixed amount of Sports Lottery funding equal to the level of funding approved in the 2015-17 LAB. Additionally, the 2017-19 allocation of funding to the universities mirrored 2015-17, which reduced historical distribution percentages for UO and OSU, while keeping the remaining five schools shares intact.

Capital Construction and Debt Service – \$203,986,172 General Fund / \$34,519,205 Lottery Funds

The 2019-21 CSL budget includes \$238.5 million General Fund and Lottery Funds debt service on outstanding bonds issued for public university capital construction projects. General Fund supports debt service on Article XI-G and Article XI-Q general obligation bonds, as well as a portion of the repayment of Small Scale Local Energy Loans financed through the issuance of Article XI-J general obligation bonds. Lottery Funds support debt service on Lottery Revenue Bonds. State-supported debt service is a \$55.6 million (or 30.4%) increase from \$182.9 million in 2017-19 and represents a 59.6% increase from actual debt service of \$149.5 million in 2015-17. In the 2017 and 2018 sessions, the Legislature approved a combined \$331.4 million of university capital projects that will be financed through the issuance of General Fund and Lottery Funds supported bonds in spring 2019. Repayment of those bonds will begin in the 2019-21 biennium. The 2019-21 CSL budget also includes \$208.5 million Other Funds and Federal Funds nonlimited expenditure limitation for debt service on Article XI-F (1) general obligation bonds that is repaid with university revenues.

Policy Issues

The Public Universities often reference the difference between “true current service level” and the current service level budget generated through the state’s budget development process. Current service level is defined as the estimated cost of continuing legislatively approved programs in the upcoming biennium and is calculated statewide by applying standard inflation factors to categories of expenditures. CSL budget for public university support is generated by applying the standard inflation rate for special payments, as well as additional exceptional inflation utilizing the CCSF CSL methodology that better reflects actual personnel costs, to direct General Fund appropriations. The alternate CSL calculated by the public universities includes expected inflation above the rate used in budget development, cost increases for the entire university budget, not just the state share, and provides a level of funding that maintains or increases the state percentage of total higher education costs. Since the universities have become separate non-state agency entities, the state doesn’t have the same level of visibility into total costs or the ability to limit costs in the same manner as a state agency budget. However, nearly 80% of university education and general expenditures are for personnel (salaries and benefits); therefore, retirement costs, including PERS, and health benefits are both significant cost drivers for university expenditures. The universities report that the state share of total education and general costs is 22% for the 2017-19 biennium and would decrease to approximately 21.5% at the state’s CSL budget level.

In each of the prior two biennia, the Legislature has approved Article XI-Q bonds to support capital improvement and renewal of university facilities. During the 2015 session, \$65 million was approved and distributed to the universities based on education and general services facilities square footage. The Legislature included language in the HB 5005 (2015) budget report directing HECC to utilize this method to distribute funding, which was consistent with prior OUS practice. However, this distribution formula did not take into account the relative facility needs of each campus or the average age of the buildings being used in the total square footage distributions. During the 2017 session, \$50 million was approved for capital improvement and renewal, but no allocation methodology was prescribed, with the expectation that HECC would evaluate and propose a more comprehensive distribution formula in rule. HECC approved a Capital Improvement and Renewal Technical (CIR) Workgroup comprised of university representatives and HECC staff. The CIR Workgroup recommended that the 2017-19 allocation be based on two factors: education and general services facilities gross square feet and density of use. In addition, the CIR Workgroup recommended that in subsequent allocations, the age of facilities, taking into consideration major renovations, be included as a factor in the formula.

Capital improvement and renewal funding has historically been earmarked for capital repairs and deferred maintenance, which continue to be a considerable need across all campuses. In prior biennia, universities have requested to broaden the uses to include classroom modernization and remodeling. While this has been approved on a limited basis in the past, this expansion in use has the potential to siphon funds away from facilities with needed repairs if the classroom refreshing is seen by the university as a better tool to use in student recruitment. The Legislature addressed this issue in 2017 by limiting the approved scope in the SB 5505 (2017) budget report to projects that address deferred maintenance, code compliance, safety issues, and Americans with Disabilities Act (ADA) accessibility improvements and not acquisition of buildings, structures, or land; classroom or lab modernization; or improvements to auxiliary facilities, which are typically self-supporting.

Other Significant Issues and Background

State support for public universities has continued to grow since significant decreases in the 2011-13 biennium. While funding has returned to pre-recession levels, tuition and fees still support the majority of total higher education costs. Universities also continue to rely on non-resident tuition as an important source of revenue. Out-of-state student enrollment grew modestly in 2017 but has increased nearly 90% since 2007. In comparison, the number of resident students has decreased since 2011, and only increased 5% during the last decade.

Universities originally proposed to increase total funding for the Public University Support Fund to \$1 billion in 2019, an increase of \$222.6 million over 2019-21 CSL budget. At \$1 billion in PUSF state support, annual tuition increases would be at or below 3% for most universities. HECC included a policy option package (POP) in their agency request budget (ARB) to increase PUSF support by \$145.6 million, which would bring total 2019-21 funding to \$923 million. This level of funding was anticipated to cover the difference between CSL inflation of 5.5% and expected university inflation of 8.4%, as well as provide additional investment into the universities. The 2019-21 Governor's Budget decreased CSL PUSF support by \$40.5 million, eliminating inflation and reducing funding to the 2017-19 level.

In addition to requesting an increase for the PUSF, HECC's 2019-21 ARB included a POP to increase General Fund support for public university state programs by an additional \$2.8 million, bringing total inflation to 8.4% (the university estimate of actual 2019-21 education and general cost increases) and providing \$1.6 million for OSU's NW National Marine Renewable Energy Center Pacific Marine Energy Center South Energy Test Site. HECC requested an additional \$7.6 million in General Fund support for the Statewide Public Services Programs to increase inflation to 8.4%, as well as provide additional inflation of 3.2% to restore program capacity that was diminished due to prior biennium inflation that didn't cover actual costs increases reported by the universities. The OSU Board of Trustees also submitted a letter to the Governor requesting a total 2019-21 investment of \$30 million in the Agricultural Experiment Station, Extension Service, and Forest Research Laboratory. The 2019-21 Governor's Budget eliminated inflation from CSL General Fund support for the public university state programs and Statewide Public Services Programs, reducing funding to 2017-19 levels. Additionally, \$25.6 million General Fund support for the Engineering Technology Sustaining Fund (ETSF) was eliminated. Lottery Funds support for the Outdoor School Program was reduced to \$24 million, which provides one year of funding for Outdoor School. Sports Lottery funding of \$14.1 million was also eliminated.

The Public Universities submitted 15 capital construction project requests totaling \$353.1 million financed through the issuance of Article XI-G and Article XI-Q general obligation bonds. HECC evaluated and prioritized the projects using a capital rubric that assigns points to projects based on multiple factors, including investments that support state higher education goals, leverage non-state resources, and provide adequate funding for deferred maintenance. Capital improvement and renewal funding (\$65 million) continues to be the universities' collective priority. HECC recommended all 15 projects; however, SOU's Cascade Hall Demolition project (\$2.5 million) was not included in the ARB as there was a question as to whether the project would qualify for bond financing. In addition to the university requests for General Fund/Lottery Funds supported bonds, they have also requested \$93 million in Article XI-F (1) bond authority for four projects. University revenues will be used for Article XI-F (1) debt service payments.

HECC has utilized the scoring methodology noted above to prioritize public university capital requests since the 2015-17 biennium. However, HECC is currently in the process of engaging a contractor to complete a Strategic Capital Development Plan that will provide a summary of the state's public university needs over the next decade. This plan is anticipated to inform future capital recommendations and may change the current process. The Governor's Budget included Article XI-Q bond authority for three projects: Capital Improvement and Renewal (\$65 million), EOU's Inlow Hall Grand Staircase Replacement (\$3 million), and UO's ShakeAlert and AlertWildfire Seismic Station Installation (\$12 million). However, the Governor's Budget reserved \$225 million of General Fund-supported general obligation bond capacity and deferred approval of the remaining university capital projects until the 2020 session, after HECC has completed the 10-year Strategic Capital Development Plan.

State Support for Community Colleges					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	598,210,325	640,683,334	640,455,744	671,100,268	603,135,043
Lottery Funds	10,171,150	11,699,204	11,699,204	11,520,140	11,520,140
Other Funds	106,925,333	103,493,051	103,720,642	45,810	67,702,801
Total Funds	715,306,808	755,875,589	755,875,590	682,666,218	682,357,984

*Includes Emergency Board and administrative actions through December 2018.

Program Description

This program area represents the funds distributed to the 17 community colleges, debt service payments on behalf of state issued bonds for community college facilities, capital construction, and specific payments for programs that are located at or benefit community colleges and their students. The largest program is the Community College Support Fund which is a “block grant” distributed to the community colleges based on a distribution formula. This budget area includes the Oregon Promise program which is available only to community colleges students but administered through the Office of Student Access and Completion (OSAC). Also included are two smaller programs that are community college -based (1) payments to the two Skills Centers in the Portland Metro area; and (2) funding to increase the number of underserved, low-income, and first-generation community college students. Below are the programs included and the General Fund/Lottery Funds budget for each in the 2017-19 CSL.

<i>State Support to Community Colleges 2019-21 Current Service Level</i>		
<i>Millions of Dollars</i>		
	General Fund	Lottery Funds
Community College Support Fund	590.9	
Skills Centers	0.6	
Underserved Students (HB 3063 - 2015)	3.3	
Oregon Promise	41.5	
Debt Service	34.8	11.5

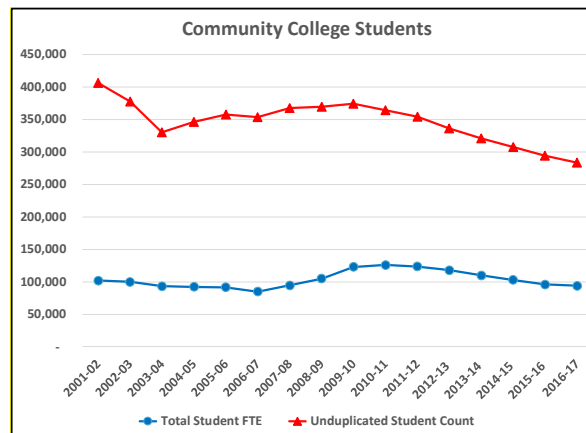
CSL Summary and Issues

- The 2017-19 CSL for the Community College Support Fund is based on adjustments including for the increases in the PERS rate, health benefits, and pension obligation bonds. It uses the standard inflation rates for the remaining cost components. The CSL is not adjusted for number of students which has been falling in the past few years. Overall, there is a 3.6% increase or \$20.7 million over the \$570 million for the Community College Support Fund. After factoring in the growth in LRO estimated local revenues (e.g., property taxes), the growth in the combined state and local resources for this is 5.2%.

- As in the case of the State School Fund and the Public University Support Fund, there are different approaches to calculating the CSL for the Community College Support Fund. The CSL used here is the State's CSL and not one for all costs of community colleges. This estimate assumes the cost increases attributed to the Support Fund and the local revenue estimates used in the distribution of the Support Fund. It does not include the increases attributed to that share of costs funded with student tuition/fees, federal grants, or other sources of revenues.
- The CSL for the Oregon Promise program is based on the standard inflation rate. This amount should be reviewed during the 2019 Session considering the number of students participating in the program. This is a new program and it is difficult to accurately project participation until there are a few more years of participation. Factors leading to this uncertainty include the changing income eligibility thresholds during 2017-19, the ongoing participation of students enrolled in the first year of college who register in the second year, and the total number of new participants. There have been three cohorts or groups of new students since the program begun in the 2016-15 school year. The first year saw 6,971 participants in 2016-17, 5,674 in 2017-18 and 5,943 for this 2018-19 school year.

Policy Issues

- The level of funding for the Community College Support Fund is not dependent on the number of students attending Community Colleges. The funding in 2011-13 was approximately \$395 million and enrollment (based on student FTE) was roughly 123,000 in 2011-12. Funding for 2015-17 is significantly higher at \$570 million, but enrollment at just over 93,000 in 2016-17 school year was less than what it was in 2011-13. In recent years, enrollment is up during harder economic times and as the economy improves enrollment falls off as more jobs are available. Enrollment is not the only cost variable, but other programs such as the State School Fund and the Oregon Health Plan do use enrollment or number of eligibles in their CSL calculations.



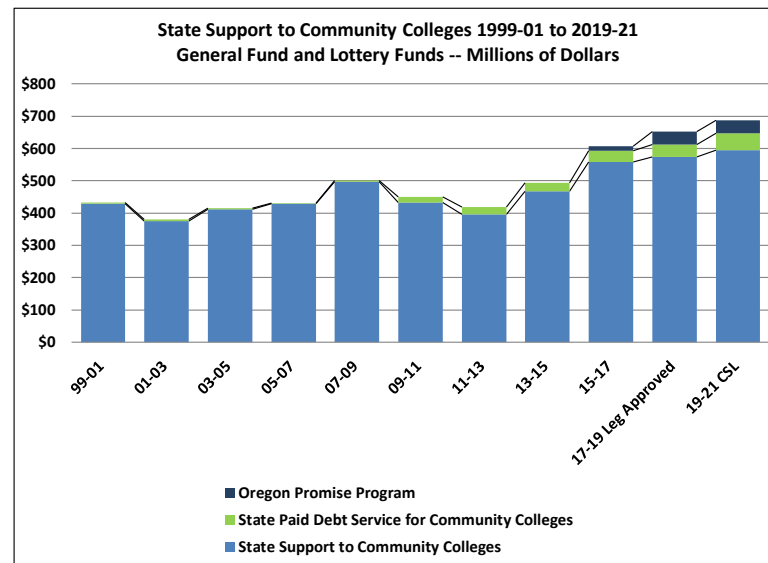
- There have been discussions in the past on options for changing how the Support Fund is distributed to the 17 Community Colleges. Currently the distribution is generally based on student FTE for eligible programs and also factors in the local revenues (e.g., property tax

base) available to each community college district. One option is to base at least a portion of the distribution on the performance of the individual Community Colleges based on factors such as completion rates, progress on college credits, or number of diplomas or certificates awarded. This concept has been partially adopted for public universities but has not moved forward for community colleges. There has not been formal discussion around this for at least a year at the Commission level. It might take direction from the Commission, Governor's Office or the Legislature to get discussions started again.

- The transition from high school to post-secondary education continues to be an issue. Some of these discussions have been not directly fiscal in nature, but more about transferable credits and relationships between K-12 districts and post-secondary institutions. There has been funding for transitional programs (e.g., funding to community colleges tied to Oregon Promise for increased academic counseling), but much of this funding was one-time and no longer available.

Other Significant Issues and Background

- During the 2017 Session, early information on participation in the Oregon Promise program indicated that the assumed funding would not be sufficient to meet the demand for the program. This was based on information for only a few academic quarters of experience given that the program had just begun. As a result, income related eligibility limitations were put in place, so estimated participation matched available resources for the program. Part way through the biennium, HECC determined that the income limitations could be removed based on more recent participation information. There are several variables driving the uncertainty in this program including the impact the economy has on participation and the number of participants who return for a second year of the program.
- Since the decrease in 2009-11 and 2011-13 due to the recession, the state funding for community colleges has increased by almost 55%.



- The State issues bonds (Article XI-G and Lottery) for projects at the various community colleges. Article G bonds require an equal match to the amount of bond proceeds -- generally these local matches are local revenues from the community colleges such as proceeds of local bond, donations, or federal grants. The amount of state funded debt service continues to increase for bonds issued on behalf of community colleges. In 2007-09, the General Fund appropriated for debt service for community colleges was just \$3.2 million and there was no Lottery Bonds debt service. For 2017-19, the General Fund appropriation had grown to \$26.6 million and there was an additional \$11.7 million in Lottery Bonds related debt service.
- The 2019-21 Governor's budget funds the Community College Support Fund at a level of \$543 million General Fund, compared to funding of \$570.3 million in 2017-19. After factoring in the estimated proportional increases in local property tax revenue for community colleges, the combined state and local tax revenues assumed in the Governor's budget basically remains at the same level as is available in 2017-19. Funding for the Oregon Promise program is decreased from the 2017-19 level of just under \$40 million General Fund to \$20 million General Fund, an amount the Governor's budget assumes is sufficient for the first year of the program.

HECC - State Support for Oregon Health and Science University (OHSU)

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	80,856,311	99,052,202	99,027,769	101,025,993	97,915,835
Other Funds	237,760,882	38,828,443	38,576,738	30,871,500	30,871,500
Other Funds (NL)	14,159,401	--	--	7,298,890	7,298,890
Total Funds	332,776,594	137,880,645	137,604,507	139,196,383	136,086,225

* Includes Emergency Board and administrative actions through December 2018.

Program Description

The Oregon Health and Science University (OHSU) is Oregon's only public academic health center. OHSU's mission includes education, research, clinical care, and public service. OHSU provides services across the state through its full service and trauma center hospital, clinics, research centers, community outreach programs, and health care professional training programs. In addition to its primary site in Portland, OHSU has clinical facilities throughout the Portland metropolitan area, the Oregon National Primate Research Center, and teaching programs in various locations throughout the state. OHSU has operated as a public corporation since 1995 and is governed by a Board of Directors appointed by the Governor and confirmed by the Senate. The Legislature no longer approves the OHSU budget (or limits its expenditures from tuition and other sources), but continues to provide direct support for specific purposes, including the Schools of Medicine, Dentistry, and Nursing, Office of Rural Health and Area Health Education Centers (AHEC), Child Development and Rehabilitation Center (CDRC), and the Oregon Poison Center. Direct state funding makes up a small percentage of OHSU's total revenues (less than 2% of OHSU's \$2.9 billion revenues in fiscal year 2017). OHSU's largest revenue source is patient service revenues, which includes indirect state resources through the Oregon Health Plan and state employee health services.

State support for OHSU also includes debt service on outstanding general obligation bonds issued for the benefit of OHSU. Tobacco Master Settlement Agreement Funds support debt service on Article XI-L Oregon Opportunity Bonds that were issued to enhance OHSU's research programs in genetics and biotechnology. General Fund supports debt service on Article XI-G general obligation bonds issued to finance the expansion of the OHSU Knight Cancer Institute as well as a minor amount of legacy debt. OHSU revenues support legacy Article XI-F (1) general obligation bonds issued when OHSU was part of the Department of Higher Education.

CSL Summary and Issues

OHSU's 2019-21 current service level (CSL) budget of \$139.2 million is \$1.6 million (or 1.2%) more than the 2017-19 legislatively approved budget (LAB) of \$137.6 million. Program funding is increased by the standard inflation rate of 4.2% for non-state employee personnel costs and debt service is adjusted for scheduled payments during the biennium. The remaining budgeted amounts for the Scholars for a Healthy Oregon Initiative (SHOI) (\$2.7 million) and the Primary Health Care Loan Forgiveness Program (\$537,675) have been phased-out of the CSL

budget to reflect the transfer of the programs from OHSU to the Oregon Health Authority (OHA). HB 3396 (2015) established the Health Care Provider Incentive Fund within OHA to consolidate Oregon's health care provider incentive programs, including SHOI and the Primary Health Care Loan Forgiveness Program. Transfer of the programs was effective January 1, 2018, with funding for the 2017-18 school year included in OHSU's 2017-19 LAB and funding for the 2018-19 school year included in OHA's 2017-19 LAB. The 2019-21 CSL budget detail for OHSU programs is provided below.

OHSU 2019-21 Current Service Level Budget Detail

	General Fund	Other Funds
School of Medicine	\$ 26,869,476	\$ -
School of Nursing	23,237,435	-
School of Dentistry	10,890,046	-
Office of Rural Health/Area Health Education Centers	4,760,841	-
Child Development and Rehabilitation Center	8,639,193	-
Oregon Poison Center	2,764,543	-
Total Programs	\$ 77,161,533	\$ -
Oregon Opportunity Program - XI-L Debt Service	\$ -	\$ 30,871,500
OHSU Knight Cancer Institute - XI-G Debt Service	23,565,250	-
Legacy Debt - XI-F (1) Debt Service	-	7,298,890
Legacy Debt - XI-G Debt Service	299,210	-
Total Debt Service	\$ 23,864,460	\$ 38,170,390
Total OHSU 2019-21 CSL	\$ 101,025,993	\$ 38,170,390

Policy Issues

During the 2018 session, statutory changes were made to consolidate the budget and responsibility for administering debt service on outstanding general obligation bonds issued for the benefit of OHSU within the Higher Education Coordinating Commission (HECC). Previously, debt service on outstanding Article XI-L Oregon Opportunity Bonds, Article XI-G bonds issued for the Knight Cancer Institute, and legacy Article XI-F (1) bonds was included in the Department of Administrative Services' (DAS) budget and debt service on legacy Article XI-G bonds was included in HECC's budget. Consolidating state support to OHSU, including debt service, within HECC was intended simplify and

make the budget more transparent, as well as align OHSU debt service expenditures within the post-secondary education budget. HECC continues to be responsible for coordinating post-secondary education in the state, but the transfer of OHSU debt service to HECC did not change OHSU's direct relationship with the State of Oregon or transfer authority over OHSU to HECC.

Other Significant Issues and Background

General Fund support to OHSU provides a portion of funding for specific education and public service programs; therefore, OHSU's 19 key performance measures (KPMs) primarily focus on outcomes within these mission areas. OHSU measures include the percentage of Oregon students admitted into programs, degrees awarded in fields with workforce shortages, professional licensure pass-rates, effectiveness of statewide programs, and improving access to health care in rural Oregon.

OHSU partners with public universities and community colleges to provide access to health care programs on campuses across the state, including the College of Pharmacy with OSU, OHSU-PSU Joint School of Public Health, and Clinical Laboratory Science and Paramedic Education Programs with OIT. Through the Oregon Consortium for Nursing Education (OCNE), OHSU partners with 11 community colleges to provide Registered Nurse to Bachelor of Science degrees at the Portland campus and online.

The 2019-21 Governor's Budget decreased state support to OHSU by \$3.1 million, eliminating inflation and reducing program funding to 2017-19 levels.

Oregon Opportunity Grant					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	128,349,485	125,217,521	125,217,521	129,975,787	121,322,003
Lottery Funds	4,951,069	20,746,268	20,746,268	21,534,626	30,688,018
Other Funds	402,364	163,213	163,213	169,415	169,415
Total Funds	133,702,918	146,127,002	146,127,002	151,679,828	152,179,436

*Includes Emergency Board and administrative actions through December 2018.

Program Description

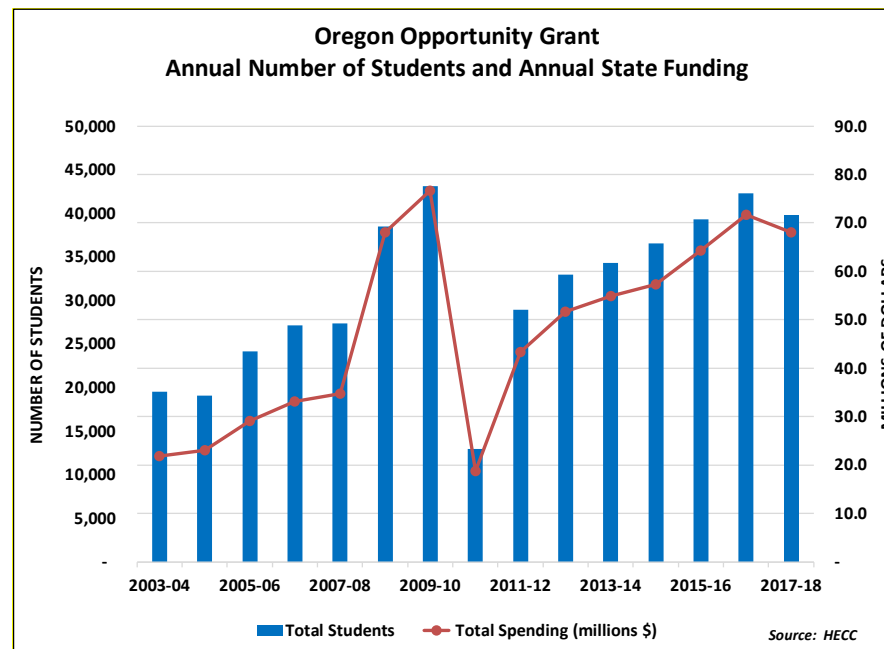
The Oregon Opportunity Grant (OOG) is the state's primary student financial aid program providing eligible Oregon students with grants to assist in financing education at community colleges, public universities, and private or independent institutions. The program had been administered by the former Oregon Student Access Commission (OSAC), which was merged into the Higher Education Coordinating Commission (HECC) beginning in 2013-15. The OOG is now administered by HECC's Office of Student Access and Completion. HECC awarded approximately 81,500 grants at an average of approximately \$1,668 (between the two years) during 2015-17. The distribution among the types of post-secondary institutions for 2015-17 was 44.4% of the total OOG recipients were community college students, 48.2% were public university students, and the remaining 7.4% were students at independent institutions. The number of grants for the 2017-18 academic year are up slightly from the first year of 2015-17 (39,758 compared to 39,264) and the average grant is up slightly (\$1,714 compared to \$1,639). OOG grant awards equal 10 to 12% of a student's cost of attendance.

CSL Summary and Issues

- The total funds CSL for 2019-21 is based on the standard inflation rate of 3.8%. The Other Funds revenues for this program are JOBS Plus related funds set aside for TANF recipients for education related purposes, but that remain unused. That anticipated amount of these funds for 2019-21 are projected to be the same as 2017-19 -- \$163,213. In the past, any decrease in these JOBS Plus funds from one biennium to another have been backfilled with General Fund. This number may be adjusted during the 2019 Session as updated information is made available.
- In the past, the OOG program received Lottery Funds based upon one-quarter of the investment earnings of the Education Stability Fund. The 2015 Legislative Assembly changed this so the OOG receives one-quarter of the earnings plus all of what is not required for debt service on Lottery bonds issued by the state for school districts years ago. These bonds will be paid off in the during 2019-21. As the amount of Education Stability Fund investment earnings increase for this program, the General Fund need for this program to meet the CSL is less. The split between General Fund and Lottery Funds will be updated at the end of the 2019 Session as more information on investment earnings becomes available.

Policy Issues

- Based on the assumption of freezing the 2017-18 maximum grant amount at \$2,250 per recipient (average grant at \$1,714) and increasing it to \$3,200 (average \$2,300) for 2018-19, it is estimated that 72,603 recipients would receive grants in 2017-19. That assumes approximately 47% or \$68 million of the total amount would be spent in the first year of the biennium. Based on numbers provided by HECC, the average grants and maximum grants will increase in the second year and the number of grants will fall substantially to just under 33,000. This may be due to a higher percent of the program funding going to public universities this biennium.



- The agency has made a policy decision to try to link the grant amount to the average cost of attendance for the type of school. The grant's buying power has lagged over the years. Based on the estimate above, the average grant size roughly the same amount as it was 10 years ago.
- The OOG is based on a Shared Responsibility Model put in place during 2007-09, and the awards are based on available student and family resources, cost of education, and available federal resources. HB 2407 (2015) made several changes to the OOG program in terms of eligibility and timing of awards. This bill maintains the principles of the shared responsibility model; but provides that if there are insufficient funds, the awarding of grants should be prioritized to first serve those applicants with the greatest financial need. Grants are also guaranteed for a second year if the student is meeting academic standards set by the Commission and the student is making progress

towards completion of a degree or certificate. The program will also change the timing of the grant application and award deadlines so that grants are awarded in an extended window of time.

- There remains an unmet need as HECC must limit the maximum grant amount and cap the number of grantees. Compared to other states, Oregon ranks 32nd in student grant dollars awarded per undergraduate student and 20th in need-based grant aid per undergraduate (2015-16 national study).
- Some states are moving or are examining the option of a model for post-secondary funding where more funding is more specific student based in programs like OOG, while reducing the amount being distributed to the institutions directly and not tied to a specific student.

Other Significant Issues and Background

- As noted above, this program is becoming more dependent on the investment earnings of the Education Stability Fund. While this has offset the need for General Fund in 2017-19 and likely in 2019-21 under current assumptions; if the investment earnings fall short of projections, additional General Fund resources will be required for backfill or the program will need to be reduced. It might be beneficial to hold back some of the investment earnings to build up a working reserve to prevent funding swings even within a biennium. It should also be noted that if the Education Stability Fund is tapped for its stated purpose to assist in funding schools during economic downturns, the availability of investment earnings dedicated to this program will decrease.
- Before the end of the 2019 Session, HECC will need to release information on the availability of the program measured in planned number of grants and the amount of individual grants for the first grant period near the beginning of the 2019-21 biennium. This means that there will need to be a communication to HECC on what the funding level likely will be in March or HECC will risk the underfunding or overfunding of the program during the first academic year.
- The Governor's 2019-21 budget of \$152.2 million for the OOG is slightly higher than the \$151.7 million total funds CSL. The split between General Funds and Lottery Funds (investment earnings estimate of the Education Stability Fund) has changed in the Governor's budget, so the Lottery's Share has increased from 14.2% in CSL to 20.2% in the Governor's budget.

Mental Health Regulatory Agency

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	2,558,922	3,462,553	3,509,699	3,656,573	3,996,362
Total Funds	\$2,558,922	\$3,462,553	\$3,509,699	\$3,656,573	\$3,996,362
Positions	12	11	11	11	12
FTE	9.00	11.00	11.00	11.00	12.00

Board of Licensed Professional Counselors and Therapists

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	1,295,574	2,039,137	2,079,741	2,195,531	2,421,983
Total Funds	\$1,295,574	\$2,039,137	\$2,079,741	\$2,195,531	\$2,421,983
Positions	6	7	7	7	8
FTE	4.50	7.00	7.00	7.00	7.65

Board of Psychology

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	1,263,348	1,423,416	1,429,958	1,461,042	1,574,379
Total Funds	\$1,263,348	\$1,423,416	\$1,429,958	\$1,461,042	\$1,574,379
Positions	6	4	4	4	4
FTE	4.50	4.00	4.00	4.00	4.35

*Includes Emergency Board and administrative actions through December 2018

Program Description

The mission of the Mental Health Regulatory Agencies (MHRA) is to protect and benefit the public's health and safety by promoting quality and ethical practice in mental health, and by creating and enforcing high standards for education, training, and examination to ensure that only qualified professionals administer mental health services to Oregon consumers. The agency is funded by revenue generated from licensing, applications and examination fees. Other miscellaneous sources include fines and the sale of mailing lists and copies of public records.

The Board of Licensed Professional Counselors and Therapists oversees a voluntary licensing program for professional counselors, and marriage and family therapists who want to use the title of “licensed professional counselor” or “licensed marriage and family therapist.” The Board also registers interns who are completing work experience requirements for licensure. The eight-member board is appointed by the Governor and composed of three licensed professional counselors, two licensed marriage and family therapists, one faculty from a related program, and two public members.

The Board of Psychologist Examiners ensures the ethical and legal practice of psychology by issuing and renewing licensees. The Board investigates complaints of professional misconduct made against licensees and is also charged with safeguarding Oregonians from the dangers of unqualified and improper practice of psychology. The nine-member board consists of six licensed psychologists and three members of the public not associated with the profession. All members are appointed by the Governor and confirmed by the Senate to three-year terms. The board has submitted a proposal to change its name to the Oregon Board of Psychology.

CSL Summary and Issues

The current service level (CSL) budget includes adjustments for payroll expenses and standard inflation, as well as the phase out of \$101,351 Other Funds reflecting limitation to cover the agency’s updating of its online database.

Policy Issues

- The agency requests \$240,034 increase in limitation, 1 position, 1.00 FTE to support the establishment of a permanent Compliance Specialist position to serve as lead worker coordinating the efforts of three investigators.
- The agency requests \$136,504 increase in limitation to complete the implementation of the agency’s online licensing database and to migrate the agency’s desktop support, monthly database maintenance, and ETS hosting to a new vendor.

The Governor’s Budget includes reductions in Attorney General Fees and State Government Service Charges, as well as increase limitation for completion of the agency’s IT projects and establishment of a permanent Compliance Specialist position.

Oregon Board of Pharmacy

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	6,253,007	7,335,399	7,464,610	7,698,155	8,550,886
Total Funds	\$6,253,007	\$7,335,399	\$7,464,610	\$7,698,155	\$8,550,886
Positions	20	20	20	20	22
FTE	20.00	20.00	20.00	20.00	22.00
*Includes Emergency Board and administrative actions through December 2018					

Program Description

The mission of the Board of Pharmacy is to promote, preserve, and protect the public health, safety, and welfare by ensuring high standards in the practice of pharmacy and by regulating the quality, manufacture, sale and distribution of pharmaceutical products. The agency licenses pharmacists by examination or through reciprocity with other states; registers and inspects hospital and retail pharmacies, drug wholesalers and manufacturers, and over-the-counter drug outlets; investigates drug diversion and rule violations; and regulates the quality and distribution of controlled substances, prescription, and over-the-counter drugs within the state. The seven-member board is appointed by the Governor and composed of five pharmacists and two public members. The agency is funded by revenue generated from license, registration, and examination fees. The remaining revenue sources include fines, interest earnings, and other revenue. During the 2015-17 biennium, the Board adopted temporary fee reductions through biennial licensure for Pharmacists and Certified Pharmacy in order to reduce a large ending balance. This fee reduction continued for the 2017-19 biennium.

CSL Summary and Issues

The 2019-21 current service level (CSL) budget for the Board is \$7,698,155 Other Funds (20.00 FTE). The current service level budget is \$233,545, or 3.13%, more than the 2017-19 legislatively approved budget. The CSL budget includes adjustments for payroll expenses and standard inflation, as well as the phase out of \$336,307 in funding to upgrade the agency's licensing and compliance database.

Policy Issues

- The agency proposes fee increases to raise \$2,411,800 in revenues. The agency has not increased fees since 2001. In 2015, the agency reduced its ending balance by moving to biennial licensure for pharmacists, pharmacy technicians, and certified Oregon pharmacy technicians during the last four years. For 2019-21, the agency re-evaluated all fees in light of the move to biennial licensure, the growing pharmaceutical industry, the increasing number of licensees, and expanding regulatory programs such as the Public Health and Pharmacy Formulary Advisory Committee established during the 2017 session to evaluate proposals for drugs and devices that may be safely prescribed by pharmacists.

- The agency requests \$174,862 increase in limitation to cover anticipated increase in Department of Justice Flat Rate Agreement.
- The agency requests \$279,021 increase in limitation to allow the agency to contract with a vendor for full cloud hosting and technology support of its IT operations, enabling the agency to meet OSCIO and federal FBI Criminal Justice Information Services (CJIS) security requirements, while providing licensees and the greater public with better access to relevant information.
- The agency requests \$468,403 increase in limitation, 2 positions, 2.00 FTE to add Compliance and Licensing staff to support the Public Health and Pharmacy Formulary Advisory Committee established by HB 2397 (2017), as well as to address the increasing licensing, inspections, and investigation workload associated with the increase number of applicants, licensees, and growing number of complex outlet license categories.
- The agency requests \$16,027 increase in limitation to cover the per diem and reimbursement expenses of members serving on the Public Health and Pharmacy Formulary Advisory Committee established by HB 2397 (2017).
- The agency requests \$3,740 increase in limitation to continue the Academic and Regulatory Fellowship in partnership with Pacific University School of Pharmacy.

The Governor's Budget funded all the agency requests with the exception of the \$3,740 increase in limitation to continue the Academic and Regulatory Fellowship in partnership with Pacific University School of Pharmacy. The Governor's budget also reduced limitation for State Government Service Charges and Department of Justice expenses.

Other Significant Issues and Background

- Carryforward of funds to upgrade the agency's licensing and compliance database. Due to difficulties in finding a vendor the agency has not been able to implement the upgrade budgeted for the 2017-19 biennium.
- Appointment of new Executive Director.

Board of Licensed Social Workers					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	1,575,651	1,617,140	1,717,671	1,828,013	1,810,716
Total Funds	1,575,651	1,617,140	1,717,671	1,828,013	1,810,716
Positions	6	6	6	6	6
FTE	3.00	3.00	3.00	3.00	3.00
* Includes Emergency Board and administrative actions through December 2018.					

Program Description

The mission of the Board of Licensed Social Workers is to protect the citizens of Oregon by setting a strong standard of practice and ethics through the regulation of clinical social workers. The Board oversees a voluntary licensing program for individuals who want to use the title “licensed clinical social worker.” The Board is responsible for developing and enforcing ethical standards for licensed individuals; investigating complaints; and disciplining licensed individuals who violate ethical standards, Board rules, or state licensing laws. The seven-member board is appointed by the Governor and composed of four licensed clinical social workers and three public members.

The 2019-21 Current Service Level is a 5.4% increase from the 2017-19 Legislatively Approved Budget and is consistent with the Current Service Level adjustments outlined in the 2019-21 Budget Instructions.

CSL Summary and Issues

There are no CSL issues.

Policy Issues

Senate Bill 177 (2009) substantially expanded the authority of the Board, by mandating licensure of these practicing clinical social work and adding two new licenses: Registered Bachelor of Social Work and Licensed Masters of Social Work. The Board has employed a number of strategies to manage the increased work load including an online directory of regulated social workers, an online licensing and database, and working closer with DOJ to minimize contested case costs. The online licensing and database is currently under development.

Other Significant Issues and Background

There are no other significant issues and the Board has not proposed any policy option packages for the 2019-21 biennium.

Teachers Standards and Practices Commission					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Recommended
General Fund	200,000	1,700,000	1,700,000	-	-
Other Funds	6,576,291	8,961,470	9,106,410	9,063,665	8,941,685
Total Funds	6,776,291	10,661,470	10,806,410	9,063,665	8,941,685
Positions	26	27	27	23	23
FTE	24.42	25.71	25.71	22.50	22.50
* Includes Emergency Board and administrative actions through December 2018.					

Program Description

The Teacher Standards and Practices Commission (TSPC) composed of 17 members who are appointed by the Governor and confirmed by the Senate, has three primary areas of responsibility:

- Establish rules for licensure and registration and issue licenses and registrations to teachers, administrators, school nurses, school counselors, and school psychologists.
- Maintain and enforce professional standards of competent and ethical performance and proper assignment of licensed educators through investigations and actions brought about through formal complaints to the Commission.
- Adopt standards for college and university teacher education programs and approve programs that meet such standards.

There are almost 65,000 educators (some have more than one license --e.g., teacher and administrator) licensed by TSPC with teachers representing roughly 90%. For comparison, there are approximately 30,000 working teachers in Oregon's public schools. The TSPC is one of eleven stand-alone teacher licensee entities among the states.

During the 2017 Session, the Legislature passed HB 2763 which provided \$1.7 million General Fund and \$1.7 million Other Funds to the budget to financially assist those educators who are working toward the National Board Certification. This is intended to be a one-time appropriation (other than the cost of one position) to the National Board Certification Fund which is designed to assist 150 educators to defray their costs of earning their Certification in the next few years.

CSL Summary and Issues

- The CSL budget for TSPC factors in the elimination of four limited duration positions (3.21 FTE) that were added in the 2017-19 budget to continue to address backlogs in responding to incoming phone calls and email and backlogs in licensing and investigations. The Agency Requested budget requests two of these positions to continue (limited duration). There was also a limited duration position that was responsible for electronically scanning the Commission's case files which are statutorily required to be maintained for 25 years.

- The 2017-19 one-time \$1.7 million General Fund investment for the National Board Certification Fund (see above) is not included in the 2019-21 CSL, but the corresponding Other Funds amount continues for payouts from the Fund to teachers receiving assistance.

Policy Issues

- Discussions of reducing class size and other “education reform” efforts will increase the demand for teachers including those licensed for CTE related classes. If these budget and policy considerations are implemented, the challenge will be to find sufficient number of teachers. Some subject areas are more challenging than others. The number of new teachers coming out of teacher preparation programs is just starting to increase again, but the number of out-of-state applicants is 600 less than it was two years ago. In addition, six teacher preparation programs have closed since 2011.

Other Significant Issues and Background

- The Commission is recovering from a period of falling revenues due to the decrease in the number of teachers applying and renewing their licenses. The Commission eliminated positions, left positions vacant, reduced other spending, and used its ending balance resources to address the falling revenues. Consequences of these actions were backlogs in: (1) investigations; (2) processing of licenses; and (3) responding to emails and phone calls. Limited duration staff authorized for 2015-17 and 2017-19 have made significant progress in addressing these backlogs. Based on information in the CSL development and Agency Request Budget, fee revenue is assumed to fall slightly from the amount estimated for 2017-19. This means that even without any budget increases above CSL, the Commission will need to rely on its ending balance to provide some of the resources for the budget. The other option are reductions which increases the chance of growing backlogs again.
- The agency is primarily supported by Other Funds from licensing and other fees paid by the regulated educators with the term of a license ranging from three to five years. In 2015, the Legislature passed HB 2411 which increased the maximum the Commission can charge in fees – the last licensure increase occurred in January 2005. Basic licenses are for a three or five-year duration depending on the type of license. The fee for a new or renewed instate basic teaching license was increased from \$100 to \$140. As part of the fee “redesign”, many of the teachers who had held three-year licenses will move to five-year licenses. This should affect the amount of renewal fee revenue starting in January 2019. The budget is not based on a reduction in revenue due to this given the uncertainty of its impact. It could mean that fee revenue may start to drop in 2019-21. Another potential fee revenue issue resulting from HB 2763 (2017) is that those teachers who hold National Board Certification, will no longer have to pay for their license renewals.
- The Commission is completing a new licensing information technology project including an on-line application process. This project has been delayed, partially due to the higher priorities being placed on non-TSPC projects for the DAS contractors. There is also a case management information technology project for disciplinary actions. Both projects should increase staff productivity, so in future biennia the need for limited duration positions to address backlogs should decrease.
- The Governor’s 2019-21 budget is essentially the CSL with minor adjustments to stay within revenue projections. It does not include two limited duration positions requested in the Agency Request budget to address backlogs. It is suggested that the Ways and Means Committee examine the impact on this on backlogs based on more recent data available during the 2019 Session.

Chief Education Office					
	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	10,485,203	3,652,812	8,207,271	--	--
Total Funds	10,485,203	3,652,812	8,207,271	--	--
Positions	20	14	15	--	--
FTE	17.13	6.75	12.50	-	-
* Includes Emergency Board and administrative actions through December 2018.					

Program Description

In 2015, the Legislature passed SB 215 which eliminated the Oregon Education Investment Board (OEIB) but retained the OEIB staff (including the Chief Education Officer). On June 30, 2019 (end of the 2017-19 biennium), the Chief Education Office (CEdO) is scheduled to sunset. For the remainder of 2017-19, the CEdO is responsible for coordinating and collaborating with education stakeholders to establish a unified public education system that ensures students reach the state's educational goals. The Chief Education Officer is appointed by the Governor and has direction and control over the education agency heads (Early Learning, Youth Development, Oregon Department of Education, Higher Education Coordinating Commission, and Teacher Standards and Practices Commission) in matters related to the design and organization of multi-agency planning. The Office is taking the lead and has dedicated staff for education system-wide research, including the development of a Statewide Longitudinal Data System.

CSL Summary and Issues

The Chief Education Office (CEdO) is scheduled to sunset at the end of the 2017-19 biennium at this time, therefore the 2019-21 CSL for the agency is zero. If this sunset is not repealed, the budget and authority of the Statewide Longitudinal Data System (SLDS) should be re-established in some other continuing agency so the work and resources spent so far on this system is not lost.

Policy Issues

- The CEdO is scheduled to sunset at the end of the 2017-19 biennium so there will need to be reauthorization of the Office prior to that if the decision is to keep it operational. The 2019-21 Agency Request Budget (ARB) for the Office assumes the repeal of the sunset with a budget of \$7.9 million General Fund and 16 positions. The Governor's budget for 2019-21 assumes the sunset of the CEdO.
- The first and primary phase of the development of a state-wide longitudinal data system is completed to provide a research tool and data source to measure the effectiveness of various educational investments, as well as measure progress of students and the overall education system. Currently the data system includes information on students/programs from the K-12 system (Oregon Department of Education) post-secondary (Higher Education Coordinating Commission), and some information on employment from the Employment Department. The next phase, if continued, would start to integrate additional data from the Department of Human Services, Oregon

Health Authority, Department of Corrections, and the Teacher Standards and Practices Commission. If the sunset of the Office is not repealed, the budget and authority of the Statewide Longitudinal Data System (SLDS) should be re-established in some other continuing agency so the work and resources spent so far on this system is not lost.

Other Significant Issues and Background

The Governor's 2019-21 budget does not include funding for the CEEdO. The Statewide Longitudinal Data System is transferred to the Chief Information Officer (DAS budget) with a budget of \$4.4 million General Fund. The policy functions of the Office will be performed by the Policy Analysts in the Governor's Office where there will be three positions (two existing and one new). The budget of the Oregon Department of Education (ODE) includes 10 positions for the new Educator Advancement Council. The development of this Council and its proposed programs has been a primary function of the CEEdO during 2017-19.