

2025-27 Budget Review

Department of Education

<i>(excludes the State School Fund and Common School Fund)</i>	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	1,158,794,688	731,980,258	799,748,525	976,483,223
Lottery Funds	-	3,227,390	8,693,643	86,183,059
Other Funds	2,062,316,247	3,058,102,817	3,112,653,897	3,226,797,316
Other Funds (NL)	1,821,757	5,174,452	4,074,452	4,074,452
Federal Funds	2,333,343,837	1,732,422,057	1,038,800,691	1,041,079,849
Federal Funds (NL)	517,272,546	540,463,419	540,463,419	540,463,419
Total Funds	6,073,549,075	6,071,370,393	5,504,434,627	5,875,081,318
Positions	895	692	618	647
FTE	811.56	644.81	608.18	632.91

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Oregon Department of Education (ODE) implements and carries out the state standards, rules, and requirements for elementary and secondary public schools as established by the State Board of Education and Oregon laws. The State Board of Education is a seven-member body appointed by the Governor and confirmed by the Senate. The Governor is the Superintendent of Public Instruction and appoints a deputy superintendent to serve as the agency head for ODE. In addition to administering the State School Fund, which is the single largest revenue source to local school districts in the state, the Department is responsible for implementing state standards and requirements, guiding school improvement efforts, developing and implementing Oregon's statewide student assessment system, and reporting student performance. Responsibilities also extend to the Oregon School for the Deaf, regional programs for children with disabilities, education programs for youth in Oregon correctional facilities, and a variety of other federal and state education programs. ODE's activities are funded with a combination of General Fund, Lottery Funds, federal grants, corporate activity taxes and miscellaneous other funds, primarily from grants and fees.

Some of the recent issues facing the Department include school district finances and budget shortfalls, student achievement scores, and instruction for students with disabilities.

Accountability for school finances and student learning are common characteristics in policy issues facing the Department. Advocate's concerns over the lack of transparency in school funding led to a budget note in the Department's budget bill (HB 5014, 2023). The note directed ODE to review available school financial data and find a way to make it readily accessible to the public. As a result, the

Department created online reports detailing budgets and expenditures for all school districts, along with federal relief spending dashboards.

Oregon students' scores on the most recent National Assessment of Educational Progress continue to show sharp declines in student achievement in both reading and math despite the state's multiple investments in summer learning and early literacy initiatives over the past two biennia: SB 5513 (2021) - \$9 million, SB 5006 (2021) - \$250 million, HB 5202 (2022) - \$150 million, HB 3198 - \$94.9 million, HB 4082 (2024) - \$30.6 million.

The end of federal pandemic relief funds created budget shortfalls in school districts across the state, leading to announcements of budget cuts and layoffs in several school districts. Personnel expenses drive nearly 85% of a school district's operational costs. The most recently available ODE data shows the 2022-23 school year marked the highest staffing level in Oregon's schools, with 72,708 employees. The staffing increase comes at a time when Oregon schools are facing declining enrollments statewide. The U.S. Department of Education projects Oregon's enrollment decline will continue for several years for a total decline of 11% between 2022 to 2031.

A class action lawsuit was brought against the Department in 2021, alleging a lack of state-level monitoring, enforcement, and assistance for school districts has led to a statewide pattern among school districts of misusing shortened school day schedules for students with disability-related behaviors. Additional reports of schools not providing in-person instruction to students with disabilities as required by law surfaced during and after the COVID-19 pandemic.

Department of Education - Operations

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	124,559,715	130,583,936	135,265,782	137,868,268
Other Funds	58,861,182	111,354,394	117,691,564	109,651,288
Other Funds (NL)	1,821,757	5,174,452	4,074,452	4,074,452
Federal Funds	123,567,251	87,522,757	81,562,804	83,841,962
Total Funds	308,809,905	334,635,539	338,594,602	335,435,970
Positions	813	610	536	565
FTE	735.54	568.38	531.75	556.48

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The ODE Operations budget structure includes all agency staff except for those who work for the School for the Deaf. In addition to administrative staff, this budget unit includes funding for IT functions, assessment activities, state government service charges paid by the agency, and staffing for the various grant-in-aid programs paid to school districts and other service providers of K-12 and youth development programs. Major offices within Operations include the Office of the Director, Office of Education Innovation and Improvement, Office of Enhancing Student Opportunities, Office of Teaching, Learning, and Assessment, Youth Development Division, the Office of Equity, Diversity, and Inclusion, and Office of Finance and Information Technology.

BUDGET ENVIRONMENT

The Operations budget relies on a variety of revenue sources, with 40% supported by General Fund, 36% through Other Funds, and 24% from Federal Funds. Federal funding is tied to specific programs and functions, such as oversight and monitoring, as required by federal law. The Fund for Student Success support specific programs created by the Student Success Act.

Other Funds revenues include indirect cost recovery from federal programs based on cost allocation plans, fees for fingerprinting and background checks, funds from the Department of Human Services and Oregon Health Authority for health-related and other programs, funds from the Higher Education Coordinating Commission for professional/technical education services and administration, textbook review fees, and miscellaneous fees, contracts, and grants.

“Carve-out” funds from the State School Fund are also treated as Other Funds and are used for staff and other costs associated with the Educator Advancement Council, Oregon School Capital Improvement Matching (OSCIM) program, population-specific Education Plans, and the English Language Learners initiative. The Fund for Student Success contributes \$57.6 million for staffing and other costs of operations. Reduced projections of Corporate Activity Tax revenue collections means funding to support operations may be limited. More information on the reduced tax revenue is discussed in the K-12 Grant-In-Aid section of this document.

Major federal revenue sources include the Individuals with Disabilities Education Act (IDEA), the National School Lunch Program and other nutrition programs, assessment funds, Title XX funds, and programs associated with the federal Every Student Succeeds Act (ESSA), previously known as the No Child Left Behind Act.

CURRENT SERVICE LEVEL

The 2025-27 current service level is \$338.6 million total funds, 1.2% more than the 2023-25 legislatively approved budget. This increase is due to standard inflation. One-time programs authorized in 2023 and 2024 legislation, limited duration positions and associated services and supplies are phased-out in the CSL budget. In total, 74 limited duration positions were eliminated; other phase-outs include \$1.8 million for opioid awareness (HB 5204, 2024), \$1.5 million for social emotional learning (SB 5701, 2024), and \$1 million for data visualization and dashboard development (SB 5701, 2024).

GOVERNOR'S BUDGET SUMMARY

The Governor's budget for Operations is \$335.4 million total funds, a 0.9% decrease from CSL. The budget supports 565 positions (556.48 FTE), a 5.4% increase from CSL in the number of positions. Due to reductions in projected Corporate Activity Tax revenue, the budget includes a revenue shortfall package of \$7.5 million in services and supplies funded through the Fund for Student Success Act. Additionally, an unspecified increase in vacancy savings (\$5.7 million General Fund) is reinvested in the budget to fund five of ODE's policy option packages, including:

- Pkg 102 - State School Fund Modernization - \$2.1 million General Fund and 11 positions (6.73 FTE) to continue the planning and system development for the State School Fund System Replacement Project.
- Pkg 103 - Grants Management System Replacement - \$4 million General Fund to finish developing the Electronic Grant Management System.
- Pkg 201 - SB 819 Infrastructure - \$1.3 million Federal Funds and four positions (4.00 FTE) to continue regulating and providing technical assistance on the use of abbreviated school days.
- Pkg 202 - Office of Enhancing Student Opportunities and Resource Management and Operations Team Capacity - \$945,098 Federal Funds and three positions (3.00 FTE) to support expansion of the Individuals with Disabilities Act (IDEA) fiscal monitoring.
- Pkg 585 - Summer Learning Evaluation and Infrastructure - \$3.5 million General Fund and seven positions (7.00 FTE) to develop data infrastructure and coordinate alignment between various ODE grant programs and partnerships.

OTHER SIGNIFICANT ISSUES

The Department's administrative services continue to struggle to keep pace with the many new programs added to ODE in the past few biennia. Key functions and programs are staffed with too few people to keep up with routine business, which means that planning tasks go uninitiated, or are not completed, and payments to school districts are delayed. Financial operation audit findings routinely

point to the absence of documented internal controls over financial reporting, single employees responsible for reporting, noncompliance with federal grant requirements, and other material financial weaknesses. Recent performance audits find that the Department could do more to support and monitor school district spending and evaluate whether or not grants or other policy initiatives improve student performance. Notably, most audit findings point to ODE program teams that contain too few employees to carry out program and financial responsibilities.

Several of the Department's mission-critical business systems are past their useful lives and must be replaced. Information technology projects in the 2023-25 biennium included replacement of the Department's Electronic Grants Management System and development of a project to replace the State School Fund system, the data and technology system that gathers, stores, calculates, and processes State School Fund payments to school districts and education service districts.

The Electronic Grants Management System Replacement Project received Stage Gate 3 approval in March 2024. Project documentation indicates the system is anticipated to deploy by June 2026 with total project cost of \$6.4 million. The Department's 2023-25 budget bill (HB 5014, 2023) provided \$1.7 million total funds to start the project development and the 2025-27 Governor's budget includes a \$4 million policy package to fund the final system development.

ODE is in the process of planning for the State School Fund System Replacement Project. Project documentation indicates the system is anticipated to deploy by October 2029 with a total project cost of \$13.8 million. The Department's 2023-25 budget bill (HB 5014, 2023) provided two permanent positions to support replacement of the SSF system and to increase business continuity within the School Finance Unit. SB 5506 (2023) provided an additional two positions, including a project manager, which SB 5701 (2024) later extended through the 2025-27 biennium along with the addition of another position. These positions were provided to the agency to develop the business case and artifacts required by the Stage Gate process. In December 2024, the Department received conditional Stage Gate 1 approval to move forward with an in-house development system build; however, in the same month, ODE testified in an Emergency Board meeting that the Department lacked the technical expertise to complete the next Stage Gate requirements to better define the project. The 2025-27 Governor's budget includes 11 positions and \$2.1 million in a policy package to fund the SSF system development.

Department of Education - Educator Advancement Council and Oregon School for the Deaf

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	14,760,026	16,472,439	17,323,780	16,520,312
Other Funds	33,667,103	78,508,257	53,295,219	53,732,859
Federal Funds	267,078	404,628	516,066	516,066
Total Funds	48,694,207	95,385,324	71,135,065	70,769,237
Positions	82	82	82	82
FTE	76.02	76.43	76.43	76.43

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Educator Advancement Council (EAC) was authorized in 2017 to support, develop, and diversify Oregon’s educator workforce through local educator-led networks. This budget structure accounts for funds that support the regional educator networks (RENs), for capacity and technical assistance grants provided to the RENs, and for scholarships through the Oregon Teacher Scholars Program. The program is funded with resources from the State School Fund that are transferred into the Educator Advancement Fund, and with resources from the Fund for Student Success. Staffing for this program is budgeted in the Operations program.

The Oregon School for the Deaf (OSD) is located in Salem and provides educational services to roughly 110 residential and day program students aged five through 21 with 82 staff positions (76.02 FTE). The capital expenditures and debt service for the School for the Deaf are included in another section of the budget. This program is funded primarily with General Fund along with a transfer from the State School Fund. Federal dollars are received from the Individuals with Disabilities Education Act (IDEA) program and from U.S. Department of Agriculture’s nutrition programs.

BUDGET ENVIRONMENT

Educators experienced a significant level of stress and burnout during the COVID-19 pandemic, and it was reported in the press that large numbers of educators were contemplating leaving the profession. The Legislature took several actions during the 2022 session to address recruitment and retention issues in the education workforce, including a one-time investment of \$100 million General Fund in HB 4030. During the 2023 session, additional investments were made to increase the number of teachers and expand pathways to licensure, including a \$10 million General Fund investment for teacher apprenticeship and mentorship grants in SB 283. The 2024 session focused efforts on retaining educators in critical areas of the system with an \$8.9 million General Fund investment for educators working in special education. Additionally, the measure included funding to establish a statewide jobs portal for educators. During the 2023-25 interim, legislative taskforces on educator salaries and substitute teachers considered various issues surrounding the educator workforce, with the goal being to increase and strengthen the workforce.

Meanwhile, despite staff shortages in specialized areas, ODE's most recent Statewide Report Card, published in November 2024, states that the total number of FTE school employees increased by 3% year over year from school year 2022-23 to school year 2023-24, and that local school districts employ a greater number of teachers than at any time in the past five years. The most notable workforce increase was in Special Education Specialists, increasing 9.5%, and Support Staff, increasing 7.5%.

The Student Success Act (HB 3427, 2019) created the Grow Your Own (GYO) program to increase educator recruitment, retention, and pathways to licensure. Critics raised concerns regarding the program's broad interpretation of outcomes and a lack of program structure. As a result, a budget note in the Department's budget bill (HB 5014, 2023) directed the EAC to develop a key performance measure on the outcomes of its GYO programs. The EAC is expected to present a report during the 2025 session clarifying the program's purpose and providing data for decision-makers to evaluate the costs versus benefits of the GYO program.

Revenue to support the \$25 million GYO program comes from the Statewide Education Initiatives Account (SEIA) within the Fund for Student Success. Due to a high ending balance in the EAC Fund, the 2023-25 budget contained a one-time funding swap from the SEIA to the EAC Fund. During the 2025-27 budget development, the Department did not fully undo the one-time funding swap. ODE removed the program expenditures from the EAC Fund, but erroneously budgeted no expenditures in SEIA for the program to continue. As a result, the GYO program is not in the Department's 2025-27 CSL budget or Governor's budget. A budget adjustment will be needed during the 2025 session if the program is to be added back into the Department's budget; however, an additional \$25 million in expenditures from SEIA will further compound the revenue shortfall in the Fund for Student Success. More information regarding the revenue shortfall can be found in this document's K-12 Grant-In-Aid section.

CURRENT SERVICE LEVEL

The current service level for the Educator Advancement Council is \$45.8 million total funds, 35.8% less than the 2023-25 legislatively approved budget of \$71.3 million, due to the phase-out of a one-time increase in expenditure limitation to expend excess revenue in the fund, which was offset by an equal decrease in educator professional development grant funding from the SEIA in the Department's Grant-in Aid budget. The CSL budget undoes the EAC Fund portion of the funding swap and returns the EAC budget to a neutralized state.

The current service level for the Oregon School for the Deaf is \$25.4 million total funds, which is a 5.5% increase from the 2023-25 legislatively approved budget due to inflation. The budget supports 82 positions (76.43 FTE).

GOVERNOR'S BUDGET SUMMARY

The Governor's budget for the Educator Advancement Council is \$46.2 million total funds, a 1% increase from CSL. The budget contains a funding transfer adjustment related to the movement of the Oregon Administrative Scholars Program from the Teacher Standards and Practices Commission to the Higher Education Coordination Commission. The program is funded through the EAC Fund.

The Governor's budget for the Oregon School for the Deaf is \$24.5 million total funds, a 3.2% decrease from CSL. The decrease is due to an \$803,468 unspecified reduction in services and supplies and an increase in vacancy savings. The budget funds additional packages for campus improvements for the Oregon School for the Deaf. Information on those packages can be found in the Bonding Program and Debt Service section of this document.

OTHER SIGNIFICANT ISSUES

The Oregon School for the Deaf produced a long-range facilities plan to address maintenance and aging issues with the current campus and to create accessible and functional spaces for enhanced learning. The 37-acre campus comprises 19 buildings, mainly constructed between 1955 and 1975. Currently, 10 buildings contain hazardous materials such as lead-based paint and asbestos. The high level of asbestos makes it difficult, and often dangerous, to do maintenance and repairs on the facilities. Additionally, the facilities lack common areas to support community living for the residential students, and the limited range of visual sight within the buildings makes it more difficult for deaf students to navigate.

In December 2023, the school contracted for a facilities assessment to gauge the cost of repairs versus the value of building replacements. The assessment concluded the Facilities Condition Index (FCI) exceeded 40%, ranking the campus buildings as poor and deficient.

The long-range plan includes a four-phased approach to campus renewal and building replacement. The first phase focuses on the student residence halls (\$91.9 million). The second phase targets the upper school facilities (\$105-135 million), followed by the lower facilities in phase three (\$85-110 million). The last phase of the project improves the community wellness aspects of campus living, including athletics, nutrition and health services, and campus resiliency. The Governor's budget includes bond funding to support the first phase of OSD's long-range plan. More information on the funding can be found in this document's Bonding Program and Debt Service section.

Department of Education - K-12 Grant-In-Aid

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	705,882,021	511,896,783	550,006,877	718,893,599
Other Funds	1,576,756,590	2,040,610,842	2,109,385,875	2,040,007,161
Federal Funds	1,715,742,914	1,643,186,775	955,358,992	955,358,992
Federal Funds (NL)	517,272,546	540,463,419	540,463,419	540,463,419
Total Funds	4,515,654,071	4,736,157,819	4,155,215,163	4,254,723,171

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

Grant-in-Aid programs provide grants to school districts, Educational Service Districts (ESDs) and other entities for educational and support services for students, often students with special educational needs. ODE administers over 70 K-12 grant-in-aid programs in seven categories below (represented at 2025-27 current service level amounts):

- Student Success and Student Investment Account grants - \$1.8 billion
- District Capacity and Technical Assistance Grants - \$155.3 million
- Science, Technology, Engineering, and Math (STEM) and Continuing Technical Education (CTE) programs - \$72.7 million
- Nutritional Programs - \$685.8 million
- Educator Effectiveness and Professional Development programs - \$50 million
- “Closing the Achievement Gap” grants - \$525.7 million
- Specialized Student Services grants - \$816 million

In the prior two biennia, Federal Funds accounted for the largest share of resources in this budget due to the infusion of federal pandemic relief funding. In the 2025-27 current service level budget, the Fund for Student Success is the largest source of funding. General Fund represents the largest fund source for the Early Intervention (EI) and Early Childhood Special Education (ECSE) program (\$250.2 million), and is also the primary source of funding for STEM and CTE grants (\$35 million). Federal Funds from the U.S. Department of Agriculture for nutrition services are not limited.

A number of programs provide resources to address students with specialized educational needs. The EI/ECSE programs (\$408.6 million total funds at the 2025-27 CSL) assist children with disabilities and their families to improve developmental status and increase school readiness. The Regional Programs (\$69.3 million total funds) provide specialized services to children with hearing and/or vision impairments, autism spectrum disorders, and severe orthopedic impairments. Grants for educational services that are provided in long term mental health programs or in hospitals total \$53.4 million. Federal Funds totaling \$245 million through the Individuals with Disabilities Education Act (IDEA) are the primary source of funding for special education. Federal Funds also provide the majority of funding for school lunch and other nutritional programs (\$540.5 million), but resources from the Fund for Student Success support the Hunger Free Schools Program (\$127.3 million), and General Fund resources of \$10.8 million support the Farm-to-School program.

BUDGET ENVIRONMENT

The State School Fund provides funding for educational services in county juvenile detention centers and Oregon Youth Authority close custody facilities on a weighted student basis. This modeling method has often resulted in budget shortfalls needing to be addressed mid-biennium due to the volatility of the caseload. Determining an adequate funding model for these educational programs was addressed in two budget notes in the Department's 2021-23 budget bill (SB 5513, 2021). The first budget note directed the Department to consider specific factors in allocating resources to the Juvenile Detention Education Program (JDEP). The second directed the Department to work with counties, school districts, education-related organizations, and the Oregon Youth Authority to develop a long-term plan for funding JDEP. As a result, a proposed funding model was developed for the 2022 legislative session. The proposed model used classrooms as the basis for allocating funding to the Youth Corrections Education Program (YCEP) and JDEP. It also suggested using funds from the State School Fund and the Statewide Education Initiatives Account in the Fund for Student Success. The proposal did not move forward at the time. In the following 2024 legislative session, SB 1552 adopted the proposed model. It directed ODE to issue a report by August 31, 2024 and every even-numbered year after with an identified Target Funding Level (TFL) for YCEP and JDEP. The August 2024 Juvenile Correction Education Funding Report identified a model for calculating TFL based on estimated classroom counts. Using this model, the TFL for 2025-27 biennium is \$27.2 million, \$2.9 million more than the 2025-27 current service level budget for these programs.

Projected Corporate Activity Tax (CAT) collections in the current and future biennia have decreased. The CAT revenue source, which was established in 2020, provides funding to the Fund for Student Success (FSS). Three accounts within the fund provide structure for investments:

- **Student Investment Account (SIA)** must be at least 50% of the fund and supports investments to expand learning, reduce class sizes, increase academic achievements, and address student behavioral health needs.
- **Statewide Education Initiatives Account (SEIA)** can be no more than 30% of the fund and supports investments in statewide initiatives and educator professional development. The High School Success and College and Career Fund, transfer to the Hunger Free Schools account, Early Literacy Success grant programs, and technical support grants are some of the programs funded through this account.
- **Early Learning Account (ELA)** must be at least 20% of the fund and supports investments in early learning programs and professional development for early childhood educators.

The December 2024 Oregon Economic and Revenue Forecast, conducted by the Department of Administrative Services' Office of Economic Analysis, projects the available CAT resources to total \$3,280.1 million for the 2025-27 biennium, a decrease of \$48 million. At this revenue level, the FSS will not be able to support the current program funding levels in the 2025-27 CSL. Approximately \$100 million in program expenditures need to be reduced from the 2025-27 biennial budget or transferred to another revenue source.

ODE received over \$1.8 billion in federal pandemic relief funding. Elementary and Secondary School Emergency Relief Fund (ESSER) III was the last "tranche" of federal coronavirus relief funding for schools and totaled \$1.1 billion in Oregon. As of December 2024, ODE processed claims for 100% of the \$1

billion allocated to school districts. School districts reported \$410.6 million was spent on unfinished learning.

ESSER III funds require state maintenance of effort, the definition of which changed for the 2022 and 2023 grant years, from spending more on education on a year-over-year basis to spending more on education each year based on a percentage of the overall state budget. The latter definition has proven to be difficult for states to meet, as most states, like Oregon, spent more during the pandemic on housing, health care, and other emergent needs. Oregon submitted a waiver request to the U.S. Department of Education asking for an exception to the maintenance of effort calculation and received approval.

CURRENT SERVICE LEVEL

The current service level for Grant-in-Aid programs is \$4.2 billion total funds, \$580.9 million, 12.3% less than the 2023-25 legislatively approved amount. The budget phases in roll-up costs totaling \$28.5 million for ongoing programs established through legislation in the 2024 session, including \$17 million Other Funds (SEIA) for the Hunger Free Schools program and \$9.5 million Other Funds (SEIA) for Recovery Schools. Additionally, the budget phased out \$629.5 million of one-time programs, including:

- \$559.1 million Federal Funds from various federal coronavirus relief programs
- \$10 million General Fund for teacher apprenticeship and mentorship grants (SB 283, 2023)
- \$11.2 million Other Funds (SEIA) for wildfire recovery (HB 5014, 2023)
- \$8.9 million General Fund for stipends to licensed educators working in special education (SB 5701, 2024)
- \$7.1 million Federal Funds for EI/ECSE caseload growth (SB 5701, 2024)
- \$5 million General Fund for Safe Schools Culture grants (SB 283, 2023)
- \$2.5 million General Fund for panic buttons (HB 5014, 2023)
- \$2.3 million General Fund for educator professional development related to Holocaust, genocide studies, and ethnic studies (SB 1050, 2023)
- \$1 million General Fund for the Community Care Demonstration Project (SB 5701, 2024)
- \$450,000 Other Funds (SEIA) for a pilot grant program providing educational advocates to foster children (HB 4084, 2024)

GOVERNOR'S BUDGET SUMMARY

The Governor's budget for Grant-in-Aid (GIA) programs is \$4.3 billion total funds, 2.4% more than CSL. Major investments include funding for three of the Department's policy option packages:

- Pkg 582 - Early Literacy GIA for School Grants - \$100 million General Fund for early literacy efforts in public schools and public charter schools with students in preschool through fifth grade.
- Pkg 583 - Early Literacy GIA for Community and Tribal - \$10 million General for early literacy efforts provided through community organizations and Tribal Nations.
- Pkg 584 - Summer Learning for 2025 and 2026 - \$75 million General Fund summer learning programs provided by community-based organizations.

Additionally, the Governor's budget contains a reduction package and a revenue shortfall package impacting the following programs:

- \$18.5 million (68%) reduction in SEIA funding in Student Success Team Intensive Coaching.
- \$18.3 million (5%) reduction in SEIA funding in High School Success program.
- \$10.6 million (11%) General Fund reduction in District Capacity and Technical Assistance.
- \$7.5 million (17%) reduction in SEIA funding in Educational School Districts Technical Assistance.
- \$6.3 million (54%) reduction in SEIA funding in Recovery Schools, reducing to one school.
- \$1.0 million (11%) General Fund reduction in CTE Career Pathways.
- \$906,216 General Fund (11%) General Fund reduction in CTE Revitalization.
- \$832,103 General Fund (11%) General Fund reduction in STEM Regional Network.
- \$719,160 General Fund (11%) General Fund reduction in Student Success Grants.
- \$654,972 General Fund (11%) General Fund reduction STEM Innovation.
- \$354,001 General Fund (11%) General Fund reduction in Supporting Accelerated Learning.
- \$267,273 General Fund (11%) General Fund reduction in Academic Content Standards.
- \$184,612 General Fund (11%) General Fund reduction in Future Farmers of America.
- \$182,623 General Fund (11%) General Fund reduction in Physical Education.
- \$93,800 General Fund (11%) General Fund reduction in Student Leadership Centers.
- \$78,543 General Fund (11%) General Fund reduction in Family Day Care Home Sponsorship.
- \$35,030 General Fund (11%) General Fund reduction in Start Making a Reader Today.
- \$9,682 General Fund (11%) General Fund reduction in Reach Out to Read.

Lastly, the Governor's budget reduces \$17.1 million in SEIA funding transferred to Department of Early Learning and Care (DELIC). The budget assumes DELIC has a beginning balance equal to the reduced transfer amount.

OTHER SIGNIFICANT ISSUES

The Individuals with Disabilities Education Act (IDEA, PL 94-142) establishes the right under federal law to a free appropriate public education for students with disabilities, in the least restrictive setting. School disruptions during the COVID-19 pandemic exacerbated the problem of students with disabilities being denied access to attending school for a full day due to their disability-related classroom behaviors. Under IDEA, state education agencies are responsible both for ensuring that all students with disabilities receive a free appropriate public education and for taking action when school districts fail to provide such an education to all students. A class action lawsuit was brought against the Department in 2021 which alleged that a lack of state-level monitoring, enforcement, and assistance for school districts has led to a statewide pattern among school districts of misusing shortened school day schedules for students with disability-related behaviors. A neutral fact-finder's report identified several recommendations to remedy the situations that led to the lawsuit which, if implemented, would have a cost to the state, including the following:

- Mandatory training on a variety of topics for district personnel, conducted by ODE.
- New positions within ODE to monitor special education.
- Stipends for special education teachers and school psychologists.

- Stipends and paid education for Certified Behavior Analysts and the creation of a new category (Registered Behavior Technician), with additional stipends and paid education for those seeking the new certification.
- Creation of an Intensive Interagency Support Team to provide training and guidance to districts, including mandatory training and oversight in any district where a student has been placed on a shortened school day for more than 30 days.
- Purchase and implementation of a mandatory statewide Individualized Education Plan system (which might require purchase of a statewide student information system).

In response to the recommendations, new legislation passed and provided additional resources to the Department to address the issues. SB 819 (2023) enacted new requirements related to the use of abbreviated school days for students with disabilities and strengthened ODE and district accountability related to the use of abbreviated school days. The measure included 13 positions to increase technical assistance to districts, monitor and evaluate the use of abbreviated school days, supervise and enforce compliance, and provide guidance and training to districts to ensure students with disabilities receive equal educational services as the majority of other students. Additionally, SB 5701 (2024) appropriated \$8.9 million General Fund to the Department for one-time stipends to licensed educators working in special education. The 2025-27 Governor’s budget contains additional resources to support the implementation of SB 819. More information on this package is provided in the Operations section of this document.

Despite the creation of the Department of Early Learning and Care as a means of consolidating Oregon’s early childhood/early learning support programs under one umbrella, the Early Intervention and Early Childhood Special Education (EI/ECSE) programs remain with the Department of Education. These programs provide services to infant/toddler children who have disabilities, and their families, either in the child’s home or in a pre-school child’s least restrictive environment, with the goal of improving a child’s developmental status and increasing school readiness. Excluding the State School Fund, EI/ECSE is the only “mandated caseload” program in the Department. The program has identified an “Adequate Service Level” of funding per child that would provide services at varying levels of need; this amount is generally more than what would otherwise be provided for in the current service level calculation.

For 2025-27, the program was approved for above-standard inflation, increasing the base funding by 6.8%. The caseload dropped nearly 20% from 2019 to 2022, due to the COVID-19 pandemic. In 2023, the caseload returned to pre-pandemic levels and has continued to rise. After applying the mandated caseload adjustment package with the projected 4.5% annual increase, funding for EI/ECSE programs increased from \$351 million total funds in 2023-25 to \$372.2 million total funds in the 2025-27 current service level.

Department of Education - Youth Development Grant-In-Aid

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	19,033,493	19,824,869	18,573,513	16,456,132
Other Funds	13,579,860	22,028,122	15,933,715	15,933,715
Federal Funds	719,453	1,307,897	1,362,829	1,362,829
Total Funds	33,332,806	43,160,888	35,870,057	33,752,676

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Youth Development Division’s (YDD) grant programs are designed to provide supportive services to youth from ages six to 24 who face risk factors that could lead to negative educational and/or workforce outcomes. Grant programs include Youth Workforce Readiness, Youth Violence and Gang Prevention, Youth Re-engagement, and grants through the Federal Office of Juvenile Justice and Delinquency Prevention. Programs are supported with General Fund, Other Funds – including support from the Fund for Student Success – and from federal programs including the Social Services Block Grant (Title XX). Staff support for YDD grant programs is budgeted in the Operations program budget.

CURRENT SERVICE LEVEL

The current service level for the YDD is \$35.9 million total funds, which is 16.9% less than the 2023-25 legislatively approved budget. A total of \$8.7 million General and Other Funds was phased out for one-time investments in the Future Ready Oregon program (SB 1545, 2022) and the East Metro Outreach, Prevention, and Intervention Program operated by the City of Gresham (SB 5506, 2023).

GOVERNOR’S BUDGET SUMMARY

The Governor’s budget for YDD is \$33.8 million total funds, which is 5.9% less than CSL. The budget includes a \$2.1 million General Fund reduction in the Juvenile Crime Prevention, Community Schools, and Youth Investment programs.

Department of Education - Bonding Program and Debt Service

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	46,685,899	53,202,231	78,578,573	86,744,912
Lottery Funds	-	3,227,390	8,693,643	86,183,059
Other Funds	102,700,112	369,112,110	357,500,000	564,126,500
Total Funds	149,386,011	425,541,731	444,772,216	737,054,471

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

This budget unit includes all debt service and expenditure limitation related to bonds issued by the state on behalf of the Oregon Department of Education (ODE) 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 School Capital Improvement Matching Program (OSCIM). 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 \$6 million for most districts and up to \$12 million for some large school districts. SB 285 (2023) increased the grant amounts from a minimum of \$4 million and maximum of \$8 million, effective January 1, 2024. Almost all the Other Funds expenditure limitation represents the Article XI-P bond proceeds, which are paid out to districts as grants or special payments. Staffing for this program is provided by the Office of School Facilities and is part of the Operations budget unit. Article XI-Q bonds, which require no match, have been issued for capital and deferred maintenance projects at the Oregon School for the Deaf (OSD) and a portion of the General Fund debt service budget is for the repayment of these bonds.

Lottery Funds pay the debt service on bonds approved for the Connecting Oregon Schools Fund to improve broadband coverage, expand internet connectivity in schools, and maximize the use of available federal resources through the E-Rate program. Beginning in the 2025-27 biennium, Lottery Funds are also projected to be transferred to the OSCIM program. Oregon's Constitution dedicates 18% of net lottery proceeds to the Education Stability Fund (ESF). Once the ESF balance exceeds 5% of General Fund revenues in the prior biennium, the ESF transfer is suspended and 15% of net lottery proceeds is deposited in the School Capital Matching Fund. The ESF is projected to reach its cap in the 2025-27 biennium.

CURRENT SERVICE LEVEL

The current service level budget contains only expenditure limitation for debt service and previously issued bond proceeds, but does not include any new Other Funds expenditure limitation for bonds that might be approved for the 2025-27 biennium. The Other Funds expenditure limitation for bonds authorized for the 2025-27 budget is removed during the development of the 2025-27 CSL. Any required Other Funds expenditure limitation for 2025-27 will be based on the bond authority approved in the Legislature's bond bill in the 2025 session.

While Article XI-P bonds are authorized for issuance for a specific biennium, not all the bond proceeds are paid out to school districts during the same biennium they are issued. Bond sales are often scheduled to be issued later in the biennium. Budget adjustments are made in each budget period to ensure there is the proper amount of expenditure limitation for grants that are paid to school districts as their construction projects proceed.

GOVERNOR'S BUDGET SUMMARY

The Governor's budget for Capital Bonds and Debt Service is \$737.1 million total funds and includes any Debt Service funding needed for repayment of bonds sold. The budget represents a 65.7% increase from CSL. The Governor's budget includes \$77.5 million Lottery Funds and \$108.9 million in new Article XI-P bonds for the 2025-27 biennium to provide grants for the local voter-approved bonds that are matched through the OSCIM program.

- Pkg 302 - Oregon Schools Capital Improvement Matching Program - \$108.9 million in Article XI-P bonds to provide grants for the local voter-approved bonds that are matched through the OSCIM program. In addition, package 090 includes \$77.5 million Lottery Funds available for the OSCIM program.
- Pkg 301 - OSD Facilities Improvements - \$92.7 million in Article XI-Q bonds for capital improvements to the Oregon School for the Deaf, plus an additional \$220,000 General Fund for non-bondable costs.
- Pkg 303 - Connecting Oregon Schools Fund - \$5.1 million in lottery bonds for additional matching funds for the Connecting Oregon Schools broadband program to support broadband connectivity projects for schools. This funding can be used as the state match for the Federal Communications Commission's E-Rate program, which provides significant funding for broadband for schools, libraries, and other public facilities.

KEY PERFORMANCE MEASURES

A copy of the Department of Education Annual Performance Progress Report can be found on the LFO website: [APPR - View Report](#).

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