

# Education

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	1999-2001 Actuals	2003-05 Legislatively Adopted at Close of Session	2003-05 Legislatively Approved through Fifth Special Session	2003-05 Governor's Balanced
General Fund	\$5,852,581,610	\$6,363,001,579	\$5,249,024,885	\$6,335,666,066
Lottery Funds	310,611,868	355,815,841	407,013,018	291,136,039
Other Funds	1,185,266,553	1,479,546,539	2,045,766,764	1,411,711,481
Federal Funds	687,257,141	824,517,531	830,788,234	708,116,205
Other Funds (Nonlimited)	1,462,287,029	1,859,021,056	1,863,021,056	2,044,975,019
Federal Funds (Nonlimited)	0	0	0	185,605,243
<b>Total Funds</b>	<b>\$9,498,004,201</b>	<b>\$10,881,902,546</b>	<b>\$10,395,613,957</b>	<b>\$10,977,210,053</b>
Positions	13,658	13,931	13,793	15,280
Full-time Equivalent	12,088.58	12,402.43	11,552.89	12,444.28

### Overview

Agencies and expenditures in this program area include support for all public educational activities from pre-kindergarten to post-secondary and life-long learning. The specific agencies in this program area are the Department of Community Colleges and Workforce Development, the Department of Education, the Department of Higher Education, the Oregon Student Assistance Commission, and the Teacher Standards and Practices Commission. State support of the Oregon Health Sciences University public corporation is also included in this program area.

The Department of Community Colleges and Workforce Development coordinates the efforts of 17 community colleges statewide and maintains educational opportunities and workforce development capacity in the state. This agency's budget includes funding to support general community college operations. The agency administers federal Workforce Investment Act programs supporting local workforce investment boards and service providers.

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The Department of Education supports pre-kindergarten through 12th grade (K-12) education. This includes support for school districts in the areas of school improvement, assessment, special education, professional/technical education, legal requirements, nutrition, and transportation. Funding for the following programs are in this budget:

- Oregon Pre-kindergarten program.
- Oregon State Schools for the Blind and the Deaf.
- Education services at youth corrections facilities and youth detention centers.
- Special education.
- Professional technical education.
- Child nutrition.
- Early intervention programs.
- Educational programs for children of low-income families.
- Special educational services to meet the needs of migrant, homeless, and American Indian children.
- State school funding for the state's 198 elementary and secondary school districts and 21 education service districts.

The Department of Higher Education is the state agency name for the educational institutions, governing board, central administration, support services, and public services that make up the Oregon University System. The institutions consist of the University of Oregon, Oregon State University, Portland State University, the three regional universities (Eastern, Western, and Southern Oregon universities), and the Oregon Institute of Technology. Oregon State University also operates the new Cascades Campus in Bend and the three statewide public service programs, the Agricultural Experiment Station, the Extension Service, and the Forest Research Laboratory.

The Oregon Student Assistance Commission helps Oregon students obtain post-secondary education by administering, evaluating, coordinating, and promoting financial aid programs. The Commission administers over 250 state-funded and privately-funded grant and scholarship programs, including the Oregon Opportunity Grant. In addition, the agency runs the student loan guarantee program in Oregon.

The Teacher Standards and Practices Commission works to ensure that every student in Oregon is taught by skilled and ethical educators. The agency establishes rules for licensing and issues licenses to educators. The Commission must approve college and university teacher education programs.

The state provides Oregon Health Sciences University (OHSU) a subsidy to assist with funding a number of programs, including the Schools of Medicine, Nursing, and Dentistry. State funds also provide support to Area Health Education Centers, the Child Development Research Center, and a small portion of the Allied Health Training Programs. It also supports the hospital and clinics. OHSU is included in the Education Program Area since the expenditures are most closely related to education activities. The Department of Administrative Services distributes the funds.

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## Balanced Budget

The Governor's balanced budget for the Education Program Area is \$11.0 billion total funds, a 5.8 percent increase compared to the 2001-03 Legislatively Approved Budget through the Fifth Special Session. General Fund and Lottery Funds total \$6.6 billion, a 15.3 percent increase from the 2001-03 Legislatively Approved Budget through the Fifth Special Session. Large increases in General Fund were necessary to replace one-time revenue sources used in the 2001-03 biennium, including Medicaid Upper Limit, Education Stability Fund, and tobacco settlement resources. The State School Fund to support K-12 schools accounts for about three-quarters of the General Fund and Lottery Funds resources in this program area.

The budget recognizes that one of society's best investments is in educating its citizens. Within the limited resources available, the budget continues to support education as a high priority. It adds back resources that will allow schools to restore many of the program cuts resulting from revenue shortfalls during the 2001-03 biennium.

General Fund support for community colleges and higher education on a per-student basis is reduced below the level adopted in the 2002 Fifth Special Session. To the extent possible, post-secondary institutions will need to look to increased tuition and administrative efficiencies to preserve access, affordability, and quality.

Key elements of the 2003-05 Governor's balanced budget are:

- The budget provides \$5.05 billion for school funding. This represents a 7.7 percent increase in state funding compared to the expected 2001-03 level, or a three percent increase after accounting for 2003-05 resources that can be used to pay for 2001-03 services. This level of funding prevents further erosion of our school system. It will allow schools to restore many of the program cuts that resulted from revenue shortfalls during the 2001-03 biennium and sets the expectation that class days will not be reduced with this funding level.
- The State School Fund includes funding to cover increases in the Public Employee Retirement System (PERS) contribution and to cover the costs of more students. Consistent with state government, funding is not included for increases in salaries and health benefits. Schools are expected to rearrange priorities to put the maximum amount of resources into the classroom.
- Funding is included in the budget for the final 2001-03 payment to schools that was shifted to the 2003-05 biennium during the 2002 Third Special session. The final payment for the 2003-05 biennium is again shifted to the 2005-07 biennium. While the Governor does not support this policy, resources were not available at this time to change the policy established by the Legislature during the 2002 Third Special Session.
- School districts with lower property values who pass local option property tax levies will have \$550,000 available for local option equalization grants.
- The \$43.7 million General Fund budget restores some of the reductions to the Department of Education Operations, funding them at three percent less than the 2001-03 Close of Session level. Funding is provided to restore statewide assessments in writing, math problem solving, and science. These were suspended in 2002-03 as a result of budget reductions.
- The budget for Department of Education provides \$197 million General Fund for Grant-in-Aid programs. This is about three percent less than the 2001-03 Close of Session level. Reductions affect the Regional Programs,

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Early Intervention/Early Childhood Special Education, Hospital programs, Long Term Care and Treatment, and Oregon Pre-Kindergarten. The budget does provide almost \$12 million to expand the Early Intervention/Early Childhood Special Education program to serve additional children.

- Resources are provided to help expand the SMART (Start Making a Reader Today) early literacy program to serve children in all 36 counties. These resources will leverage private funds and volunteer efforts to help meet the goal of all children reading at or above their grade level by the time they leave elementary school.
- A number of grant programs in the Department of Education have been eliminated due to resource constraints. These include Talented and Gifted, Workforce Development, Low-performing Schools, Junior Achievement, and Frontier Learning Network.
- The budget for the Department of Higher Education is 3.5 percent less than the 2001-03 Close of Session Legislatively Adopted Budget. Reductions include specified and unspecified cuts from the 2002 special sessions, a shift of General Fund to tuition revenues, and elimination of merit increases for the 2003-05 biennium.
- Under the Department of Higher Education's Resource Allocation Model, enrollment based funding is reduced to approximately 65 percent. At 100 percent, General Fund support would be equal to the median of the Department's peer institutions across the country.
- The budget does not include additional General Fund for enrollment increases in the 2001-03 or 2003-05 biennium. Tuition increases of 2 percent per year for resident students and 3.5 percent per year for non-resident students are included.
- Opportunities to identify statutory and administrative changes that will allow the Department of Higher Education to operate more efficiently and effectively will be pursued.
- Enhanced funding for engineering education provided in the 2001-03 Close of Session Legislatively Adopted Budget is continued at over 90 percent of the original levels. Strong support from the private sector is expected to continue in the next biennium to support the Department's engineering programs.
- Funding for the Agricultural Experiment Station, the Extension Service, and the Forest Research Laboratory is continued at 95 to 97 percent of the 2001-03 Close of Session Legislatively Adopted Budget. The Department anticipates that the reduced funding level will impact the program's ability to conduct research and provide services.
- The budget includes \$355.2 million in funding for 27 Capital Construction projects at Department of Higher Education institutions. The majority of the funding is generated through sales of Article XI-F (1) bonds for self-supporting facilities and donations.
- The Oregon Student Assistance Commission will be able to provide Opportunity Grants for about 33,000 low-income students. This represents less than 60 percent of students eligible for the program.
- General Fund to subsidize OHSU will total \$93,679,467 for the biennium. This is a decrease of approximately 16 percent from the 2001-03 Close of Session Legislatively Adopted Budget. The University will also receive bond proceeds through the Oregon Opportunity Program. The proceeds, totaling approximately \$100 million Other Funds, are included in the Department of Administrative Services' budget. Debt service will be paid with Tobacco Settlement revenues.

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- The balanced budget includes \$407.7 million General Fund to support community college operations. This amount is 7.6 percent less than the 2001-03 Close of Session Legislatively Adopted Budget. Adjusting for projected enrollment in the 2003-05 biennium, equivalent per-student funding is reduced by approximately 19 percent. The impact of these reductions on the community colleges will depend on decisions by the locally elected boards regarding program reductions, tuition increases, and one-time savings.
- Funding is included in the budget for the final 2001-03 payment to community colleges that was shifted to the 2003-05 biennium during the 2002 Third Special Session. The final payment for the 2003-05 biennium is shifted to the 2005-07 biennium; under current law, each biennium's final payment will be shifted to the following biennium.
- Inflation increases for the Community College Support fund and Department of Community Colleges and Workforce Development operations are eliminated.