

Education

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	2005-07 Actuals	2007-09 Leg Approved Budget	2009-11 Governor's Recommended
General Fund	\$6,417,526,447	\$7,457,074,594	\$7,884,538,202
Lottery Funds	513,399,995	746,418,728	636,814,176
Other Funds	1,815,469,997	2,135,380,169	2,449,614,296
Federal Funds	879,594,156	866,242,291	881,315,758
Other Funds (Nonlimited)	2,153,777,194	2,352,266,344	2,337,043,890
Federal Funds (Nonlimited)	256,411,558	276,668,831	284,160,048
Total Funds	\$12,036,179,347	\$13,834,050,957	\$14,473,486,370
Positions	16,728	18,441	18,572
Full-time Equivalent	13,031.64	13,125.31	13,259.66

Overview

Agencies and expenditures in this program area operate or support all public educational activities from pre-kindergarten to post-secondary and life-long learning. Specific agencies 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.

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

- Oregon Pre-kindergarten program.

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- Oregon State School for the Blind and School for 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 public elementary and secondary school districts and 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 include 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 Cascades campus in Bend and the 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 nearly 400 state-funded and privately-funded grant and scholarship programs, including the Oregon Opportunity Grant.

The Teacher Standards and Practices Commission works to ensure that every student in Oregon receives instruction from 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 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 the Allied Health Training Programs. It also supports operation of the Oregon Poison Center.

Education Enterprise The mission of the Education Enterprise is to ensure that Oregonians possess the knowledge and skills necessary to succeed in learning, work, and citizenship to create prosperity and opportunity for Oregon in the global economy.

By the Year 2025, Oregon aims to have 40 percent of Oregon adults with a four year college degree or higher; 40 percent of Oregon adults with an Associates degree, professional certificate or equivalent; and the remaining 20 percent of Oregon adults with at least a high school diploma or equivalent.

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Recommended Budget

The budget for the Education Program Area is \$14.5 billion total funds, a 4.6 percent increase compared to the 2007-09 Legislatively Approved Budget. General Fund and Lottery Funds total \$8.5 billion, a 3.9 percent increase over 2007-09 levels. Compared with the 2009-11 essential budget level, total funds are increased by 5.6 percent while General Fund and Lottery Funds are reduced by 1.7 percent.

The budget includes \$6.39 billion for K-12 schools. This is \$147 million General Fund and Lottery Funds more than the current biennium. However, because of the reduced revenue forecast, it is about \$153 million below the essential budget level. Funding is provided to further expand the number of children served by the Oregon Pre-kindergarten/Head Start program and to grow the Early Head Start program. Also the budget includes staffing to support implementation of the new, more rigorous high school diploma requirements adopted by the State Board of Education. The Community College Support Fund is reduced to \$485 million, three percent less than 2007-09. Funding for the Oregon Opportunity Grant program is increased by 53.8 percent to \$163 million total funds.

The budget also includes a plan to provide funding stability to educational programs over the next several years, as the Oregon economy recovers from the current economic downturn. This plan calls for allocating \$225 million from the Education Stability Fund during the 2010 Supplemental Legislative Session to provide second year funding for K-12 education and the Oregon Opportunity Grant program and to restore cuts to community colleges and universities. If economic conditions deteriorate further, the Governor and the legislature will need to evaluate alternatives that prioritize the restorations, make strategic cuts or use more of the Education Stability Fund. Using \$225 million in 2010 will allow for similar withdrawals in 2011 and 2012, if required by economic conditions, and still leave an approximately \$150 million balance in the fund.

Key elements of the 2007-09 Governor's Recommended Budget are:

- Additional staff are provided to the Department of Education to support implementation of the new, more rigorous high school diploma requirements that were adopted by the State Board of Education.
- Funding is increased to further expand the number of children served by Head Start and to grow the Early Head Start program for younger children.
- Increased funding for K-12 professional development and additional teacher and administrator mentoring opportunities is included in the recommended budget.
- More funding is provided for services to children with autism and for regional programs to serve the intense needs of students with low-incidence disabilities.
- The recommended budget continues support for K-12 physical education grants and for the Quality Education Commission.
- The operations budget for the Department of Higher Education includes a \$16 million reduction in public services, academic support and institutional management. Instruction, research, student services and facilities operations and maintenance are excluded from the reduction. A request for

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funds to restore the cuts is planned for the 2010 Supplemental Legislative Session from the Education Stability Fund.

- A total of \$979.8 million is included for the Department of Higher Education to finance 36 Capital Construction projects and reserves at all seven universities. This includes \$103.8 million for nine deferred maintenance projects; the department's deferred maintenance backlog is estimated in excess of \$600 million.
- Construction of three major inter-institutional facilities in Portland are included in the recommended budget at a combined cost of \$495 million. A new life sciences building in the south waterfront area will co-locate bioscience researchers from the Oregon Health and Sciences University, Portland State University, Oregon State University, the Oregon Institute of Technology and the University of Oregon. An Oregon center for sustainability will promote collaboration among the universities, non-profit organizations, and private enterprises to provide information on sustainable initiatives and investments in renewable energy and other areas. The third facility will house a South Waterfront Corporate Complex to facilitate collaboration between the private sector and Oregon high schools, community colleges and universities in math, science, engineering and alternative energy.
- Other higher education Capital Construction projects include the Bates Hall/Hallie Ford Healthy Children and Families Center at Oregon State University, a new office and classroom building at Western Oregon University, and remodeling and expansion of the Theatre Arts building at Southern Oregon University. Four renewable energy projects are funded as are campus-funded projects for alumni, student and other facilities.
- Total funding for the Opportunity Grant program is increased from \$106 million to \$163 million. That amount allows the Student Assistance Commission to continue to distribute grants under the Shared Responsibility Model (SRM) in the first year of the biennium without restrictions on eligibility, grant sizes or other SRM assumptions. Funding for the second year is about \$12 million less than the projected need. A distribution from the Education Stability Fund will be requested during the 2010 Supplemental Legislative Session to fill the gap.
- The recommended total funds budget for the ASPIRE program is reduced by 48.2 percent from the 2007-09 LAB due to a loss of federal and private grant support. The Student Assistance Commission is seeking to obtain other private support to restore the program to at least the 2007-09 level.
- Funding for the Community College Support Fund is reduced by three percent from the 2007-09 biennium. Restoration of the \$15 million General Fund needed to match the 2007-09 LAB will be requested during the 2010 Supplemental Legislative Session from the Education Stability Fund.
- The recommended budget includes funding for three community college Capital Construction projects at Blue Mountain, Treasure Valley and Umpqua Community Colleges. Half of the funds will be generated from Article XI-G bonds, the remaining half will be provided by the three colleges. Debt service on the bonds will be paid with General Fund beginning in the 2011-13 biennium.

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- The budget for the Department of Community Colleges and Workforce Development includes \$5.2 million General Fund for three workforce programs. The Career Readiness Certificate program will provide workers with credentials attesting to their demonstrated job skills. Funding is provided for development of career and technical education programs at the local level. General Fund will support the Employer Workforce Training Fund, strengthening regional training programs for currently employed workers.
- Funds to support the Post-secondary Quality Education Commission are included in the budgets for the Department of Community Colleges and Workforce Development and the Department of Higher Education.
- State support for the Oregon Health and Sciences University is maintained at current levels.

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DEPARTMENT OF COMMUNITY COLLEGES AND WORKFORCE DEVELOPMENT

	2005-07 Actuals	2007-09 Leg Approved Budget	2009-11 Governor's Recommended
General Fund	\$433,764,035	\$511,491,977	\$506,831,645
Lottery Funds	0	0	0
Other Funds	82,478,580	92,899,829	37,680,466
Federal Funds	127,964,496	121,120,987	114,477,302
Other Funds (Nonlimited)	0	0	1,350,000
Federal Funds (Nonlimited)	3,968,221	5,968,831	5,968,831
Total Funds	\$648,175,332	\$731,481,624	\$666,308,244
Positions	50	57	60
Full-time Equivalent	49.70	56.03	59.70

Overview

The Department of Community Colleges and Workforce Development (CCWD) provides leadership, accountability, and technical assistance to Oregon's 17 community colleges and seven local workforce areas. The agency's goal is to help Oregonians achieve the skills and knowledge needed to combine careers and lifelong learning.

The department administers the Community College Support Fund, the state's contribution to community college operating costs. Funds are distributed primarily based on the number of full-time equivalent students at each college. The colleges combine state funding with property tax and tuition revenues to provide professional and technical education programs; lower division transfer classes similar to those offered in the first two years at a four-year university; training for displaced workers and skill enhancement for workers who already have jobs; training tailored for particular businesses; and adult literacy, including General Educational Development (GED) course work. The department also manages the state's participation in community college construction projects.

The agency supports local workforce investment boards and service providers. It administers the Federal Workforce Investment Act programs. These programs assist youth, adult and dislocated workers by providing education and workforce development services. The funds are targeted to people who face serious barriers to employment.

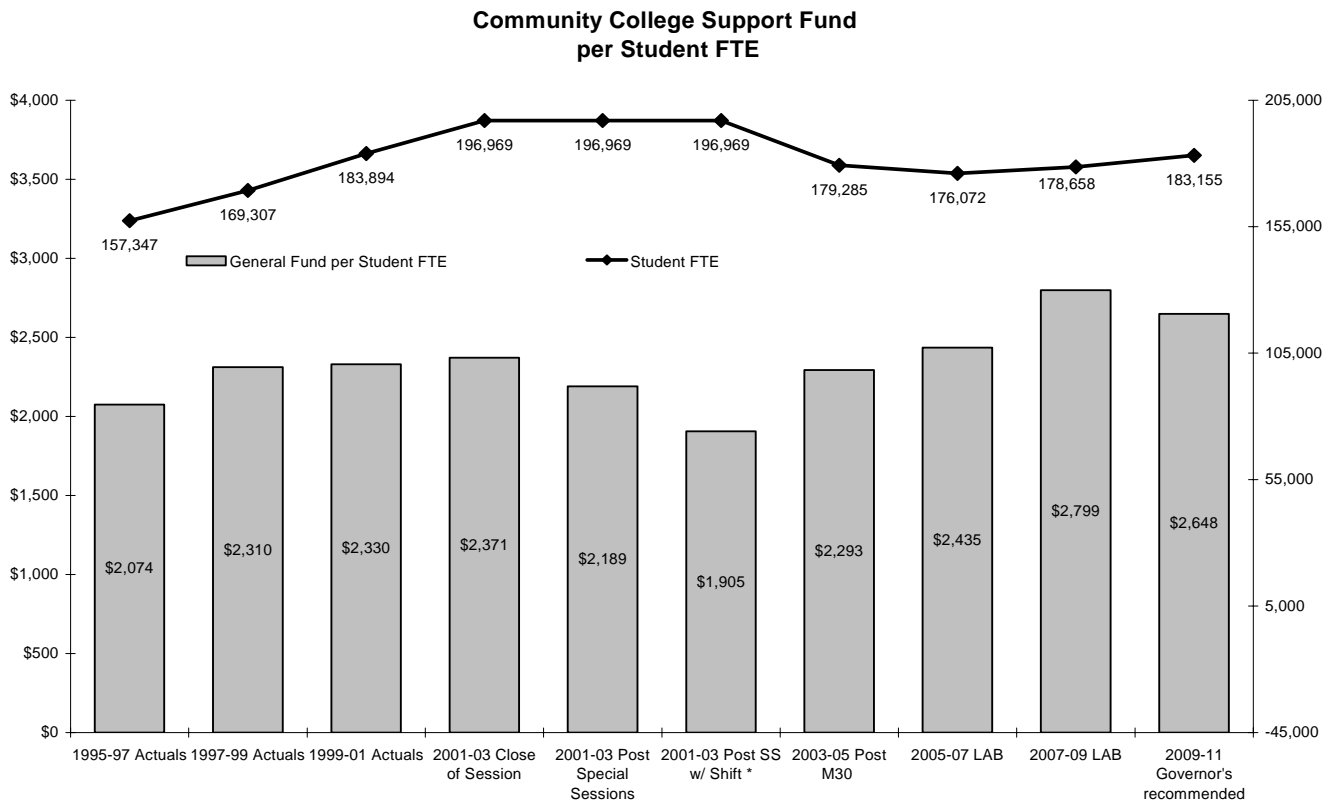
Department programs also include GED tests and program coordination; Adult Basic Education tests; and the Oregon Youth Conservation Corps.

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Recommended Budget

The Governor's recommended budget of \$666.3 million total funds is an 8.9 percent reduction from the 2007-09 Legislatively Approved Budget (LAB). The reduction is largely due to a fewer number of Capital Construction projects included in the recommended budget. General Fund is reduced by 0.9 percent from the LAB.

The budget includes \$485 million for the Community College Support Fund, reduced by three percent from the 2007-09 LAB. Based on the enrollment estimate of 183,155 full-time equivalent students included in the agency request budget, General Fund support would decline from \$2,799 per student in 2007-09 to \$2,648 per student in 2009-11, a 5.4 percent reduction.



* 2001-03 LAB after 5th Special Session w/o \$56 million that was shifted to the first quarter of 2003-05

As a result of the economic downturn and increased funding for the Oregon Opportunity Grant program, community college fall 2008 enrollments are increasing by 10 to 15 percent above fall 2007, a much larger increase than initially projected. If this increased enrollment level is sustained into the 2009-11 biennium, state per-student funding would decrease at least nine percent from 2007-09, to about the level in the 2005-07 biennium. Actions by the colleges to manage more students and reduced support, including tuition increases and enrollment caps, would probably result in less opportunity for students to pursue their educational goals.

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Allocation of an additional \$15 million General Fund, to restore funding for the Community College Support Fund to the \$500 million included in the 2007-09 LAB, is planned for the 2010 Supplemental Legislative Session, either from increased revenue growth if the current economic downturn begins to reverse or with a distribution from the Education Stability Fund. If state revenues continue to decline, the legislature will need to consider other options, including additional reductions in the second year of the biennium.

The budget includes funding for three community college Capital Construction projects. Treasure Valley Community College proposes to build a university center in Ontario and Blue Mountain Community College is planning to construct a university center in Hermiston; both centers would be operated in cooperation with Eastern Oregon University. Umpqua Community College plans to construct a regional health occupation training center in Roseburg. Total funding for these projects is \$31.8 million Other Funds, half of which would be generated from the sale of Article XI-G bonds and half from the colleges. Debt service on the bonds, beginning in the 2011-13 biennium, would be paid with General Fund. These are the only colleges that have not received state funding for Capital Construction since the state resumed support for college projects in the 2005-07 biennium.

The recommended budget includes three workforce initiatives. Funding is provided for a Career Readiness Certificate program. Based on a national model, the program offers standardized skill assessments, skill development curricula, and workforce readiness certificates that can be used by workers and employers.

Additional funding will be used to provide annual grants to each of the state's 18 regional workforce programs. Based on local labor market information, the community colleges and local workforce investment board will distribute the funds to career and technical education programs that promote high wage, high skill, or high demand occupations.

A General Fund appropriation is included for the Employer Workforce Training Fund (EWTF). The fund was established by executive order to support the retention and growth of living wage jobs, a skilled workforce and competitive businesses in Oregon. At the regional level, funds are used to provide training to incumbent, private sector workers and to expand local training capacity. At the state level, funds can be used to address major gaps in the state's workforce development system that cannot be addressed with other system resources. Currently, the EWTF is supported entirely with federal Workforce Investment Act (WIA) funds. General Fund support would allow the fund to quickly respond to workforce needs that might not meet WIA program requirements.

Funds are included in the budgets of the Department of Community College and Workforce Development and the Department of Higher Education to support the work of the Post-Secondary Education Quality Education Commission. Other CCWD programs are continued at current levels.

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Revenue

General Fund resources finance the Community College Support Fund, a variety of other educational and workforce programs, debt service on Article XI-G bonds and a portion of office operations costs.

Other Funds revenue sources include fees for the GED and adult education tests; charges to community colleges for Adult Basic Education materials and training, funds from the Department of Education for Carl Perkins program support and amusement device taxes for the Oregon Youth Conservation Corps program. The department continues to receive a small amount of timber tax revenues that is transferred to the colleges as part of the Support Fund.

Federal Funds revenue sources include Workforce Investment Act Title II for Adult Basic Education and Workforce Investment Act Title IB for job training. The department also receives National Emergency Grants following economic or other dislocations; these funds are included in the budget as Nonlimited Federal Funds.

The state funds 50 percent of Capital Construction projects with Article XI-G bonds. Local community college districts will provide the constitutionally-required 50 percent match.

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DEPARTMENT OF EDUCATION

	2005-07 Actuals	2007-09 Leg Approved Budget	2009-11 Governor's Recommended
General Fund	\$5,110,148,812	\$5,889,829,126	\$6,215,611,092
Lottery Funds	503,769,402	710,557,320	594,897,442
Other Funds	50,572,997	58,788,086	55,360,211
Federal Funds	749,565,735	743,016,649	765,047,450
Other Funds (Nonlimited)	97,748,258	114,407,142	44,147,342
Federal Funds (Nonlimited)	252,443,337	270,700,000	278,191,217
Total Funds	\$6,764,248,541	\$7,787,298,323	\$7,953,254,754
Positions	487	491	487
Full-time Equivalent	442.61	448.28	452.47

Overview

The mission of the Oregon Department of Education is to increase the achievement for all students. It is the lead agency for the Oregon constitutional mandate to “provide by law for the establishment of a uniform and general system of common schools.” The Superintendent of Public Instruction is elected to lead the agency. The agency provides support to the State Board of Education and the Superintendent in carrying out their responsibilities, including:

- Adopting rules for general governance of schools and distributing funding for all public schools.
- Implementing statewide standards for schools.
- Establishing rules for schools and ensuring that they are followed.
- Administering Oregon’s statewide assessment testing system.
- Acting as a liaison and monitoring implementation of federal programs, including No Child Left Behind.
- Working in partnership with all education stakeholders. This includes local school districts, education service districts, community colleges, parents, teachers, administrators, businesses and community members.

The agency also contracts for services for certain education programs such as services to infants and young children with disabilities, preschool programs, compensatory education programs and professional/technical education programs. Through the Regional Programs, the department provides special education services to children with disabilities such as autism, hearing impairments and vision impairments.

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The agency provides direct educational services at the School for the Deaf and the School for the Blind. In addition, the department contracts for most educational services at the Hillcrest and MacLaren schools, work-study camps and other Oregon Youth Authority correctional facilities.

Recommended Budget

Investment in Education is a top priority in this Governor's recommended budget. The budget for the Department of Education is \$7.95 billion total funds, or an increase of 2.1 percent over the 2007-09 Legislatively Approved Budget. This includes a 3.2 percent increase in General Fund and Lottery Funds resources.

The budget includes \$6.39 billion for School Funding. This funding is distributed directly to local education districts. The Governor's budget increases the state General Fund and Lottery Funds allocation to schools by \$147 million, or 2.4 percent, compared to the 2007-09 level. In addition, the budget envisions the possible use of part of the Education Stability Fund for further enhancement, depending on the State revenue forecast in 2010.

Current programs at the Department of Education are continued in this budget. In addition, funding is provided to further expand the number of children served by Head Start and to grow the Early Head Start program. Also the budget includes staffing to support implementation of the new, more rigorous high school diploma requirements adopted by the State Board of Education.

- Department Operations. Department Operations provides leadership, accountability, and support to schools statewide in several areas, including school improvement, assessments, special education, professional/technical education, legal requirements, nutrition, and transportation. The budget funds Operations at 4.8 percent over the 2007-09 level, for a total budget of \$131.4 million. It continues all current programs. It also includes additional funding for the ongoing maintenance cost of the department's online student assessment system. Finally, the budget adds staff to begin implementation of the new high school diploma requirements.
- Special Schools. The department operates the School for the Deaf and the School for the Blind. These schools educate residential, day program and other students whose needs cannot be met by their local school districts.

The School for the Blind is a residential facility that serves students, ages four to 21, who are visually impaired. About 33 students receive their education at the school. Most of these students have multiple handicaps that make instruction complex and require a low staff-to-pupil ratio. The school also runs a short-term placement program and a summer program that serves more than 100 children each year.

The School for the Deaf serves hearing impaired children whose needs cannot be met by their local school districts. The school provides comprehensive education and training services to 125 residential and day-program students, kindergarten through 12th grade. About 30 percent of these children have learning problems in addition to their hearing impairment. The total funds budget for these schools is \$24.1 million, or 7.9 percent higher than the 2007-09 Legislatively Approved Budget.

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- Lottery Bond Debt Service. The budget includes \$55.8 million of Lottery Funds to pay the 2009-11 debt service costs on \$277 million in Lottery-backed Revenue Bonds for education that were originally issued in the 1997-99 and 1999-2001 biennia.
- Youth Corrections Education Program. The department funds education for young offenders at the Hillcrest and MacLaren schools, juvenile work-study camps and at other Oregon Youth Authority facilities. The funding comes from the State School Fund on a per student basis. Most educational services are provided through contracts with local schools and education service districts. The department is also responsible for the Youth Detention Education program, which provides education services for youth in county detention centers around the state. The budget for these programs is \$20.98 million total funds. Educational services for offenders who are over age 21 and/or already have a high school diploma are no longer included. They will now be funded through the Oregon Youth Authority budget.
- Grant-in-Aid. This program serves students with specific educational needs. School districts or other entities outside of state government administer the services. Services include pre-kindergarten, child nutrition programs, special education, early intervention services, compensatory education, vocational and workforce development and education reform implementation. The Governor's budget provides a total of \$293.1 million General Fund for Grant-in-Aid programs. This is about 26 percent more than the 2007-09 Legislatively Approved Budget.

This budget completes the phase-in of a major expansion in the Head Start program that was begun in 2007. In addition, it adds \$6 million more to further increase the number of children served by this important pre-kindergarten program. Also, \$1 million is budgeted to support an Early Head Start program for younger children. All other programs are continued at their current level.

- State School Funding. The State School Fund is distributed to all public elementary and secondary school districts and education service districts around the state. State funds contribute about 60 percent of local district funding for the 2009-11 biennium. Local property taxes contribute almost 31 percent and Federal Funds make up most of the other nine percent. The State School Fund accounts for about 94 percent of the General Fund and Lottery Funds resources in the Department of Education.

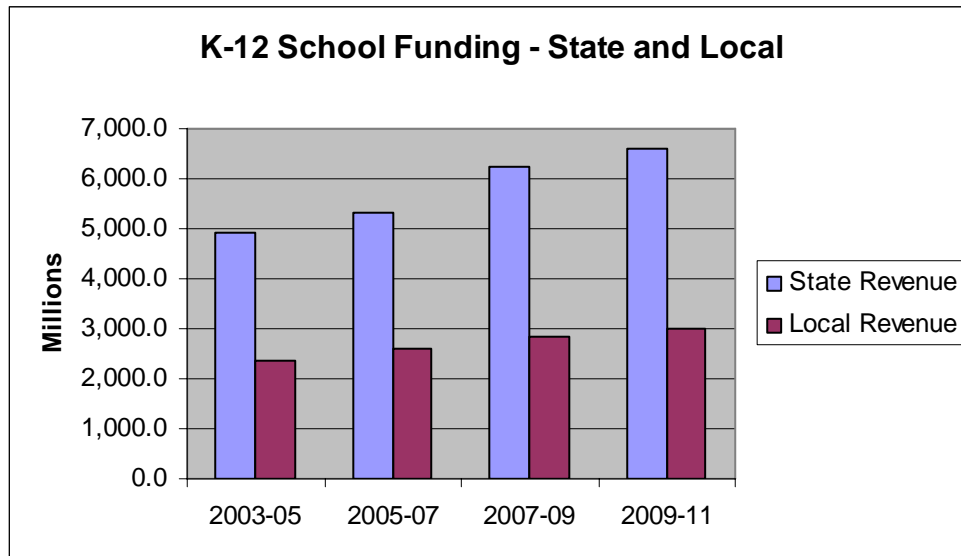
This budget reflects the Governor's priority of investing in the future through education. It provides \$6.39 billion for school funding. This represents an additional \$147 million, or a 2.35 percent increase in state General Fund and Lottery Funds, compared to the 2007-09 level. Unfortunately this is not enough to keep up with the costs of inflation. Therefore the budget envisions the possible use of part of the Education Stability Fund for further enhancement, depending on the state revenue forecast in 2010.

Funding requirements for the talented and gifted program, speech pathology and support for the Quality Education Commission are funded for the entire biennium. Also, enhanced funding is provided for autism programs and regional programs for students with disabilities. Other programs are

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only funded for the first year. These are the Oregon Virtual School program, Professional Development program, an enhancement of the Mentoring program, data collection and grants related to physical education, the statutorily required Best Business Practices Advisory Committee and additional funding for local option equalization grants. These could receive second year funding from the Education Stability Fund. This funding would be subject to appropriation by the Legislature in early 2010.

The remaining increase in General Fund and Lottery Funds, over the 2007-09 level, (about \$136 million) would be appropriated entirely for use in the 2009-10 school year. It would be allocated to school districts and education service districts through the existing State School Funding Formula. It is expected that in early 2010 the Legislature would meet to review the state revenue forecast. At that time, depending on the outcome of that review, they could appropriate an increased School Fund allocation for the second school year, as well as funding for other programs that only received first year funding and for the establishment of an Indian Education Specialist position.



Revenue

General Fund supports the primary K-12 education infrastructure in the state. The State School Fund allocates General Fund to districts. General Fund also finances department operations, Special Schools and Grant-in-Aid programs. Lottery Funds finance a portion of the State School Fund and Lottery Revenue Bonds debt service.

Other Fund revenues include revenues passed from other agencies, as well as fees paid by regulated industries, county school fund revenues and charges for services to local school districts.

Federal Fund revenues include compensatory education programs, school improvement, child nutrition and special needs education.

Education

DEPARTMENT OF HIGHER EDUCATION

	2005-07 Actuals	2007-09 Leg Approved Budget	2009-11 Governor's Recommended
General Fund	\$737,484,478	\$870,441,365	\$916,539,455
Lottery Funds	9,630,340	25,982,232	32,956,259
Other Funds	1,642,577,101	1,941,472,413	2,312,530,908
Federal Funds	0	0	0
Other Funds (Nonlimited)	2,047,068,197	2,228,003,414	2,280,205,272
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$4,436,760,116	\$5,065,899,424	\$5,542,231,894
Positions	16,145	17,835	17,970
Full-time Equivalent	12,495.08	12,565.59	12,694.66

Overview

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 (UO), Oregon State University (OSU), Portland State University (PSU), the three regional universities, (Eastern (EOU), Western (WOU), and Southern Oregon (SOU) universities), and the Oregon Institute of Technology (OIT). Oregon State University also operates the Cascades campus in Bend and three statewide public service programs, the Agricultural Experiment Station, the Extension Service and the Forest Research Laboratory.

The state's contribution to post-secondary education has declined significantly since the adoption of Ballot Measure 5 (1990). During the 1989-91 biennium, the Department of Higher Education received over 13 percent of total General Fund and Lottery Fund resources. In the 2007-09 biennium, the department received 5.9 percent of these revenues. In the Education and General Services program unit, which includes funding for campus and Chancellor's Office operations, state General Fund constituted 37.4 percent of operating budgets in the 2007-09 close of session budget, reduced from 45.6 percent in 1999-2001 and 40.2 percent in 2001-03.

Nationally, Oregon was ranked 44th in state appropriation per student full-time equivalent in 2007 by the State Higher Education Executive Officers (SHEEO). Oregon's ranking was slightly improved from 2006, when it was 47th. Since 2002, state support per student full-time equivalent declined by 9.7 percent; Oregon was ranked 45th in that year.

Since the 2001-2002 academic year, average tuition and fees for resident undergraduates at Oregon public universities increased by about 63 percent. Nationally, SHEEO ranked Oregon 24th highest in average net tuition per student full-time equivalent in 2007, slightly worse than 2006, when the state ranked 25th, but better than 2002, when Oregon was ranked 19th.

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Recommended Budget

The Governor's recommended budget of \$5.5 billion total funds is a 9.4 percent increase from the 2007-09 Legislatively Approved Budget (LAB). General Fund and Lottery Funds are increased by 5.3 percent and 26.8 percent respectively. A larger Capital Construction budget and phase-in of debt service from prior-biennia capital projects are major contributors to the increases.

General Fund for Education and General Services, which includes operations of the seven universities and the Chancellor's Office, is 3.4 percent larger than the 2007-09 LAB but 4.3 percent less than the 2009-11 essential budget level (EBL). The recommended budget includes a \$73 million increase in Other Funds, supported with tuition revenue and cash balances, to pay for costs of anticipated 2009-11 enrollment growth, including record enrollment experienced by six of seven universities in fall 2008.

A reduction of 1.7 percent from the combined General Fund and Lottery Funds EBL is spread among the budgets for Education and General Services, the Agricultural Experiment Station, the Extension Service and the Forest Research Laboratory. The reductions will be taken in public services, academic support and institutional management. Instruction, research, student support and facilities operation and maintenance are protected from the reductions.

Allocation of \$16 million General Fund, to restore the reduction from EBL, is planned for the 2010 Supplemental Legislative Session, either from increased revenue growth if the current economic downturn begins to reverse or with a distribution from the Education Stability Fund. If state revenues continue to decline, the legislature will need to consider other options, including additional reductions in the second year of the biennium.

The budget includes a \$3 million General Fund enhancement to the Engineering and Technology Industry Council (ETIC) program, bringing total General Fund state support for the ETIC program to \$42.5 million. A \$325,000 General Fund appropriation is included for the OSU Climate Change Research Institute for development of a water research roadmap and creation of a climate change information clearinghouse. Funding is included in the budgets for the Department of Higher Education and the Department of Community Colleges and Workforce Development to support the work of the Post-secondary Quality Education Commission.

A shift of \$14.1 million from General Fund to Other Funds is included in the recommended budget in anticipation of a legislative concept to allow the department to retain interest earnings on its cash balances. Interest earned on General Fund accounts would continue to revert to the General Fund.

A total of \$979.8 million is included for 36 Capital Construction projects and reserves at all seven campuses. This includes \$103.8 million Other Funds for nine deferred maintenance projects including renovation of Straub Hall at UO, Strand Hall at OSU, Owens Hall at OIT, Zabel Hall at EOU, Churchill Hall at SOU and the physical education building at WOU. The second phase of the PSU campus steam loop project is funded, as are additional costs to complete projects at Fenton Hall at UO and Education Hall at OSU.

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The budget includes funding for construction of three major inter-institutional facilities in Portland. A new life sciences facility (\$250 million Other Funds) will be constructed in the south waterfront district. The facility will co-locate scientists from the Oregon Health Sciences University's medical school, PSU science departments, OSU's college of pharmacy and OIT's health related programs. The facility will include space for laboratories, offices, private sector research partnerships and graduate education. Funding for the project includes \$100 million in general obligation bonds and Certificates of Participation that the state would repay, \$60 million in general obligation bonds that would be repaid by the department with lease and other facility revenues, and \$90 million in gifts and grants.

The second project involves construction of an Oregon center for sustainability. The facility would house university research and education programs, other public and private organizations, and a technology and business incubation center. The purpose of the center would be to provide information about sustainable initiatives and investments in energy, water management, transportation, the food industry, recycling and waste management and other areas. It would be funded with \$80 million in general obligation bonds which the department would repay from research and facility revenues.

The third Portland project involves construction of a private sector corporate complex. The new facility will promote instructional and research collaboration between the private sector and Oregon high schools, community colleges and universities related to math and science education and post-secondary education in engineering and sustainable energy. Funding for the project consists of \$15 million General Fund and \$150 million in general obligation bonds that the department will repay with lease payments from private sector tenants.

Four renewable energy projects are also funded, at a total funds cost of \$74.9 million. These include completion of projects to upgrade the power station at UO and expand the geo-thermal energy plant at OIT. Demonstration projects involving bio-fuels and wind power are also included in the recommended budget.

Additional new building projects include the Bates Hall/Hallie Ford Healthy Children and Families Center at OSU, remodeling and expansion of the Theatre Arts building at SOU, and construction of a new classroom and office building at WOU. The recommended budget also includes a variety of self-funded projects, including alumni centers, student activity and recreational facilities and other projects.

Sale of \$3 million in Certificates of Participation is included for campus information technology and equipment projects. Debt service will be paid by the campuses.

Revenue

The department's General Fund appropriation is distributed to the campuses and centralized services by the Resource Allocation Model (RAM). The RAM distributes the majority of the General Fund that campuses receive for their Education and General programs based on full-time equivalent student enrollment. As a result of budget reductions in the early part of the decade, the enrollment was frozen at 2002-03 levels for distribution purposes. The department began to include recent enrollment growth in the 2007-09 biennium, with the intent of basing distributions on current enrollment in the 2009-11 biennium. Revenue constraints in the upcoming biennium make it unlikely that that goal will be achieved.

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Remaining General Fund support to campuses, and all General Fund support for centralized services, is distributed in the RAM through targeted programs. Targeted programs address costs of the system that are not directly related to enrollment levels.

One percent of Lottery Funds deposited into the Department of Administration Services Economic Development Fund is transferred to the Sports Action account to finance intercollegiate athletics and graduate student scholarships. Lottery proceeds are also allocated for debt service on Lottery-backed bonds.

The primary sources of Other Funds for the Education and General Program are tuition and fees. Other sources include sales and charges for services, indirect cost recovery on grants, and other miscellaneous revenues. Federal grant funds received by the department are expended as Other Funds.

The Oregon State University statewide public service programs receive Other Fund revenues from sales and service fees, indirect cost recovery on federal grants, interest earnings, donations, research contracts with private entities and miscellaneous income.

Nonlimited revenues are dedicated to a specific purpose and are independent of programs supported by General Fund and limited Other Funds. Sources include student aid funds, food service and other enterprise sales, dormitory fees, health service fees and course fees for non-credit continuing education programs, among others. Nonlimited funds also include gifts, and sponsored research financed by the federal government, private industry and other private groups. These nonlimited funds, the major source of support for research, also directly benefit and enhance the instruction and research programs supported by the General Fund and tuition revenue.

The construction, renovation and acquisition of instructional and public service buildings are financed by Article XI-G general obligation bond proceeds, with constitutionally-required matching funds provided from the sale of lottery bonds, Certificates of Participation (COPs), donations, grants and other revenues. Debt service on Article XI-G bonds is paid with General Fund. Bond sales will be scheduled towards the end of the biennium, deferring debt service on these bonds until the 2011-13 biennium.

Article XI-J (State Energy Loan Program) bonds, COPs, and Lottery-backed bonds are recommended for deferred maintenance projects. Debt service on energy bonds is paid with General Fund and campus energy savings generated by the project. Debt service on lottery bonds is paid with general purpose Lottery Funds. COP debt service is paid with General Fund.

Construction of student unions, dormitories, parking structures and similar projects are generally financed from auxiliary enterprise balances and the proceeds of Article XI-F(1) bonds. In addition, revenue from self-supporting projects, gifts, grants and donations are a major funding source for Capital Construction. Debt service on Article XI-F(1) bonds is generated from revenues from self-supporting programs and student building fees.

Revenues from COPs also fund information technology and equipment purchases. Debt service is paid with campus revenues.

Education

OREGON STUDENT ASSISTANCE COMMISSION

	2005-07 Actuals	2007-09 Leg Approved Budget	2009-11 Governor's Recommended
General Fund	\$62,791,959	\$98,750,506	\$157,354,225
Lottery Funds	253	9,879,176	8,960,475
Other Funds	3,721,550	5,658,268	6,715,409
Federal Funds	2,063,925	2,104,655	1,791,006
Other Funds (Nonlimited)	8,960,739	9,855,788	11,341,276
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$77,538,426	\$126,248,393	\$186,162,391
Positions	24	34	30
Full-time Equivalent	22.75	31.91	27.83

Overview

The Oregon Student Assistance Commission administers financial aid programs to help Oregon students obtain a post-secondary education. The commission manages a variety of state-funded and privately-funded grant and scholarship programs, including the Oregon Opportunity Grant. The Office of Degree Authorization is also part of the agency.

The commission administers the Oregon Opportunity Grant program for needy undergraduate students; the Oregon Nursing Services program for nurses working in nursing shortage areas; the Rural Health Services Loan Repayment program for physicians and other medical professionals; nearly 400 privately-funded scholarship programs; Individual Education Accounts in the JOBS Plus program; the federal Robert C. Byrd Scholarship program; and the Access to Student Assistance Programs in Reach of Everyone (ASPIRE) Volunteer Advisory Program.

The Office of Degree Authorization (ODA) reviews proposals by Oregon private institutions, non-Oregon colleges, and educational organizations seeking to offer academic degrees in the state. It also reviews proposals for new publicly-funded post-secondary education programs to ensure that publicly subsidized programs do not detrimentally impact other public or private institutions. ODA enforces state laws against presenting fraudulent or substandard academic degrees as a public credential.

The 2009-11 biennium will be the first full biennium in which the Oregon Opportunity Grant program is administered according to the Shared Responsibility Model (SRM). Under the SRM, awards are made to students based on the commission's determination of the difference between the costs of their education, including living expenses, and their ability to pay. Ability to pay is based on student and family resources and federal financial aid, so that award amounts vary by income level and family size.

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Results from the 2008-09 academic year, when the SRM was first implemented, indicate that the program is having the desired affect of making post-secondary education more affordable and contributing to increased enrollment. More than 34,500 awards have been made for fall terms 2008, a 52 percent increase over fall term 2007, representing over 11,800 additional students.

Recommended Budget

The Governor's recommended budget of \$186.2 million total funds is a 47.5 percent increase over the 2007-09 Legislatively Approved Budget (LAB). General Fund and Lottery Funds total \$166.3 million, a 53.1 percent increase from the LAB. The growth is largely due to implementation of the Shared Responsibility Model for the full biennium.

Total funds for the Opportunity Grant program are increased from \$106 million in the 2007-09 biennium to \$163 million. This amount is sufficient to provide loans to all eligible applicants in the 2009-10 academic year with no changes in income eligibility, maximum award amounts, or other SRM assumptions. It includes adjustments for anticipated changes in enrollment, educational costs and the state's minimum wage rate.

Funding to continue the program in the 2010-11 academic year with the same assumptions would require additional funds, currently estimated at about \$12 million. Allocation of these funds is planned for the 2010 Supplemental Legislative Session, either from increased revenue growth if the current economic downturn begins to reverse or with a distribution from the Education Stability Fund. If state revenues continue to decline, the legislature will need to consider other options, including additional reductions in the second year of the biennium.

Fully funded, an estimated 36,249 Opportunity Grant awards will be made in 2009-10 with an average grant amount of \$2,317. In 2010-11, average awards estimated at \$2,475 will be made to about 37,047 students.

Funding for the ASPIRE program is reduced by 48.2 percent from LAB due to a loss of grants from AmeriCorps and other sources. The commission is pursuing other grant opportunities from private foundations and will request an increase in Other Funds expenditure limitation if successful. If no additional funds are obtained, the program will be reduced from 115 schools and other educational sites to as few as 60.

The commission's other programs are maintained at current levels.

Revenue

General Fund is used to support Opportunity Grants, the ASPIRE program, the Rural Health Services program and the Nursing Services program. It also provides support to the Office of Degree Authorization and agency administration. Twenty-five percent of Lottery Funds interest earnings from the Education Stability Fund are allocated for Opportunity Grants.

The commission's largest source of Other Fund revenues is donations from individuals and organizations to fund scholarship awards. The commission also receives transfers from other agencies to provide

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student assistance. These include Jobs Plus Individual Education Account funds transferred from the Department of Human Services and federal Robert C. Byrd funds transferred from the Department of Education. The Office of Degree Authorization charges fees for reviewing degrees from private post-secondary institutions. Federal Funds received from the Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP) programs are included in the Opportunity Grant.

Other Funds payments for administrative expenses are limited in the budget. Other Funds payments for student aid are nonlimited.

Education

TEACHER STANDARDS AND PRACTICES COMMISSION

	2005-07 Actuals	2007-09 Legislatively Approved	2009-11 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	4,174,259	4,582,907	5,414,311
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$4,174,259	\$4,582,907	\$5,414,311
Positions	22	24	25
Full-time Equivalent	21.50	23.50	25.00

Overview

The Teacher Standards and Practices Commission ensures that every student in Oregon receives instruction by caring, competent and ethical educators. The commission:

- Establishes rules and standards for licensure and charter school registration and issues licenses or registrations to public school teachers, administrators, school counselors, school psychologists and school nurses.
- Maintains professional standards of competent and ethical performance and proper assignment of licensed educators.
- Adopts standards for approval of college and university teacher education programs that lead to licensure, and approves such programs that seek to license educators in the state of Oregon.

Recommended Budget

The Governor's recommended budget for the commission is \$5.4 million Other Funds, which is a 18.1 percent increase over the 2007-09 Legislatively Approved Budget. The budget adds staff to help with the increased workload of licensing, investigations of existing and potential discipline cases, and to fill the need for information technology staff.

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Revenue

The commission is funded solely by Other Funds received from application fees, initial licenses, renewal licenses and delinquent fees. The Governor's recommended budget would leave the commission with a 2009-11 ending cash balance of \$675,283, or about three months of average operating expenses. The commission is not proposing any fee increases in the 2009-11 biennium.