**STATE BOARD OF EDUCATION – TOPIC SUMMARY**

**Topic:** Strategic Fund Allocation

**Date:** April 10, 2014

**Staff/Office:** Susan Violette, David Zerbe, Krissa Caldwell, Elizabeth Cox-Brand, CWD

**Action Requested:**

**[ ]  Informational Only [ ]  Adoption Later** **[x]  Adoption [ ]  Adoption/Consent Agenda**

**ISSUE BEFORE THE BOARD**: Adoption of resolution that would reduce the amount allocated to the Community College Support Fund (CCSF) Strategic Fund by $121,087 per Legislative direction provided in the February 2014 Session’s reconciliation bill, HB 5201.

**BACKGROUND**

CCSF Strategic Fund

The Board established a Strategic Fund that serves two purposes: 1) proposals to incentivize statewide initiatives and activities, and 2) requests from individual institutions for assistance in meeting new expectations stemming from legislative change.

The Commissioner has discretion to review, rank and approve Strategic Fund proposals. As each proposal is approved, the Commissioner provides the Board with a report detailing the purpose of the activity and the amount of Strategic Fund monies approved.

The establishment, criteria, and process for distribution of the State Board of Education’s Strategic Fund is in OAR 589-002-0020. The allocation for the Strategic Fund is taken off the top of the CCSF appropriation which reduces the amount available to be distributed through the funding formula. Any unspent strategic funds are distributed at the end of the biennium through the funding formula per rule.

More detailed information about the Strategic Fund rules, history and current priorities may be found in Attachments A & B.

CCWD General Fund Deficit

The Department began the biennium with a General Fund (GF) deficit in personal services of about $800,000, which after saving actions were taken, was reduced to about $550,000. This deficit was largly due to unfunded mandates from bills passed by the Legislature that require work be done by CCWD without additional funding. Some examples of these mandates are the STEM Council, Child Care Taskforce, and Common Course Numbering. In addition, there have been substantial reductions in federal and other types of funding.

Legislative Action

The Legislature provided the Department with $471,087 additional GF for personal services during the February 2014 Session. Part of this funding comes from the transfer of $121,087 GF from the CCSF appropriation. The Budget Report for HB 5201, the session’s reconcilation bill, says that it “transferred $121,087 from the Strategic Fund of the Community College Support Fund to the agency Operations budget”.

Funding for State Board of Education Strategic Fund

Continuing the previous explaination of how the Strategic Fund works, the technical details regarding how the total amount of funding available is determined is explained in this section.

At the beginning of each biennium, the Commissioner makes a policy recommendation to the State Board regarding the amount that will be allocated to the Strategic Fund out of the CCSF appropriation. Since this is a policy decision, no rule change is required.

Historically, the amount allocated to the strategic fund has been no greater than 1% of the total CCSF appropriation; most recently it has been at 0.75% as the CCSF funding has decreased over recent bienniums.

The percentage for the Strategic Fund approved at the Board’s June 2013 meeting was 0.75% of $450 million or $3,375,000. Since then, the Legislature increased the CCSF appropriation by $15 million to $465 million. The legislative intent for this funding increase is to limit or eliminate tution increases in the second year of the biennium. In order to maintain the $3,375,000 set aside for the Strategic Fund, the percent of the total $465 million CCSF becomes 0.73%.

To implement legislative action taken in HB 5102, the percent of Strategic Fund is reduced

from 0.73% to 0.70% of the total CCSF. The allocation to the Strategic Fund is reduced by $121,087 from $3,375,000 to $3,253,913.

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| **Strategic Fund Adjustment** |
| Current | $3,375,000  | 0.73% |
| Recommendation | $3,253,913  | 0.70% |
| Adjustment | ($121,087) | -0.03% |

**STAFF RECOMMENDATION:**

Recommend Strategic Fund allocation for the 2013-15 Biennium be adjusted to 0.70% of the CCSF appropriation in the Legislatively Approved Budget as of the February 2014 Session. The appropriation amount is $464,878,913.

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| **Resolution** |
| Percent of CCSF Appropriation as of February 2014 Session | 0.70% |
| 2013-15 CCSF Strategic Fund Allocation | $3,253,913 |

Attachment A

**Historic Strategic Fund Expenditures**

Strategic Funds have been used to support innovations and initiatives that impact all 17 community colleges. These expenditures have fallen into the following categories: Dues and memberships; Research; Student Success Initiatives; and Healthcare. Examples of expenditures include:

* Career Pathways Initiative
* Oregon Consortium for Nursing Education
* Eastern Promise
* Foundations of Excellence in the First Year of College
* Mobile Welding Lab
* Regional Compacts Pilot Redesign of the Oregon Community College Unified Reporting System (OCCURS)

**Priorities for the 2013-15 Biennium**

* Career Pathways Initiative
* Developmental Education Reform
* Data for Analysis (D4A)
* Learning Standards Phase 4 (Common Core)

Attachment B

**Strategic Fund Rule Summary**

The Board established a Strategic Fund that serves two purposes: 1) proposals to incentivize statewide initiatives and activities, and 2) requests from individual institutions for assistance in meeting new expectations stemming from legislative change.

The Commissioner has discretion to review, rank and approve proposals to incentivize statewide initiatives or activities. As each proposal is approved, the Commissioner provides the Board with a report detailing the purpose of the activity, the amount of Strategic Fund monies approved, and the proposal’s merit as assessed under the following parameters:

1. Purpose of the proposal.
2. How does the activity support the initiatives and work plans of the Department and the State Board?
3. Does the activity relate to the Department’s Key Performance Measures or other program-specific measures?
4. Is the funding one time (for this biennium) or will additional funding be needed in the future?
5. If future funding is needed, how will those resources be obtained? Is the activity sustainable?
6. What is the activity’s impact on the State three years from now? Five years from now?
7. What change is anticipated?
8. How will progress be measured?

Regarding requests for one-time assistance from individual institutions to meet new expectations stemming from legislative change, CCWD brings the requests to the Board for discussion and consideration. CCWD assesses requests based on the parameters outlined below and provides a recommendation and reasoning to the Board on whether the request merits funding.

1. Purpose of the proposal.
2. How will the funds be used? To sustain or increase enrollment (not supplanting existing funds)?
3. Is the funding one time (for this biennium) or will additional funding be needed in the future?
4. If future funding is needed, how will those resources be obtained? Is the activity sustainable?
5. What is the proposal’s impact on the Community College three years from now? Five years from now?
6. How will progress be measured?