

# Education

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	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$5,210,896,132	\$5,912,108,147	\$6,168,125,863
Lottery Funds	677,073,696	516,620,137	365,421,878
Other Funds	1,653,929,719	1,707,646,008	1,513,673,930
Federal Funds	841,829,274	811,943,842	930,462,727
Other Funds (Nonlimited)	1,794,528,516	2,240,275,327	2,439,490,725
Federal Funds (Nonlimited)	0	189,658,587	255,186,904
<b>Total Funds</b>	<b>\$10,178,257,337</b>	<b>\$11,378,252,048</b>	<b>\$11,672,362,027</b>
Positions	14,462	15,421	14,458
Full-time Equivalent	11,769.58	12,660.28	11,837.76

### 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.

The Department of Education supports pre-kindergarten through 12th grade (PreK-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 is in this budget:

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- Oregon Pre-kindergarten program.
- 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 198 elementary and secondary school districts and 20 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 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 320 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 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 the Allied Health Training Programs. It also supports the hospital and clinics. The Oregon Poison Center also receives state funds. 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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## Recommended Budget

The budget for the Education Program Area is \$11.7 billion total funds, a 2.6 percent increase compared to the 2003-05 Legislatively Approved Budget. General Fund and Lottery Funds total \$6.5 billion, a 1.6 percent increase over 2003-05 levels. The budget provides a modest increase for K-12 funding, an investment in postsecondary infrastructure, and increased access for low income students to colleges and universities in the state. The State School Fund to support K-12 schools accounts for 81 percent of the General Fund and Lottery Funds resources in this program area.

The budget recognizes that one of society's best investments in the long run is in educating its citizens. Within the limited resources available, the budget continues to support education as a high priority. This budget is expected to stabilize K-12 school funding, after the past several years of unpredictable and variable funding levels.

Funding for the Oregon Opportunity Grant is more than doubled, to increase eligibility thresholds and provide awards to all eligible applicants. Revenues from bond sales are used to address the Department of Higher Education's deferred maintenance backlog and to help finance community college construction projects for the first time in more than twenty years.

Key elements of the 2005-07 Governor's recommended budget are:

- The budget provides \$5 billion in state resources for school funding. This represents an additional \$84 million, or a 1.7 percent increase, in state funding compared to the 2003-05 level. The budget includes \$122 million in General Fund that was needed to replace the one-time funding from the Education Stability Fund in 2003-05. Schools will also receive an estimated \$211 million increase in local revenues, mostly property taxes, during 2005-07. The combined increase in state and local funding results in a 4.1 percent increase in resources for schools. This budget is expected to stabilize school funding, after the past several years of unpredictable and variable funding levels.
- School districts with lower property values that pass local option property tax levies will have \$500,000 available for local option equalization grants.
- The \$36.1 million General Fund budget for the Department of Education Operations is a 2.1 percent increase over the 2003-05 level, but is still 15 percent below the state funding level provided during 1999-2001. In spite of this, the agency has made significant progress in strengthening basic infrastructure. Over the last year, the agency has been reorganized to increase efficiency and effectiveness.
- The budget for the Department of Education provides \$184 million General Fund for Grant-in-Aid programs that are administered by education districts or other entities outside of state government. This is about three percent less than the 2003-05 Legislatively Approved Budget. Small reductions affect the Regional Programs, Early Intervention/Early Childhood Special Education, Hospital programs, and Long Term Care and Treatment programs. Oregon Pre-Kindergarten will be able to serve about 53 percent of eligible children during 2005-07, down from about 60 percent currently. The budget does provide almost \$5 million to expand the Early Intervention/Early Childhood Special Education program to serve additional children.

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- Resources are provided to continue the state support for SMART (Start Making a Reader Today) early literacy program. These resources will help 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.
- Funding is included to continue to help school districts pay for connectivity services. State support for the Frontier Learning Network and Student Leadership Centers has been eliminated.
- Funding for the development of a statewide PreK-16 data system is included in the budgets for the Department of Education, the Department of Higher Education, and the Department of Community Colleges and Workforce Development. The system will allow electronic data exchange of student information among schools, community colleges, and universities. Improved data sharing is expected to assist with academic preparation, effective student advising, and measurement of student progress.
- The budget for the Department of Higher Education is 2.1 percent more than the 2003-05 Legislatively Approved Budget. The budget assumes annual tuition and fee increases of approximately five percent for the biennium. An additional two percent in the first year would be necessary to offset reductions in funding for campus and Chancellor's Office operations.
- Ten deferred maintenance projects are funded with \$102.3 million from bond sales and other revenues. An additional \$20 million in certificates of participation support upgrades in telecommunications and information systems infrastructure.
- Funding is recommended for a joint project between Southern Oregon University and Rogue Community College to construct new instructional facilities in Medford. Clatsop Community College and Portland State University are working together on a similar partnership project to support the Clatsop community college district.
- Additional Capital Construction projects for the Department of Higher Education include placeholder funding for a new education building at the University of Oregon and 25 other projects that primarily involve housing, parking, dining, and other auxiliary services facilities.
- Phase-out of a legislatively-imposed cap on programmatic fee remissions is proposed over a two-biennium period. A cap on graduate fee remissions is eliminated immediately. The Department uses tuition discounts for recruiting and retention, diversity, need-based financial assistance, and other purposes.
- Funding for the Oregon Opportunity Grant, the state's need-based aid program for post-secondary education, is more than doubled, to \$91.6 million General Fund. The additional funding is sufficient to allow the Oregon Student Assistance Commission to broaden the income eligibility criteria and still fund all eligible applicants.
- The Student Assistance Commission is in the process of terminating its participation in the Federal Family Education Loan Program. Additional General Fund is recommended for the agency to continue administration of the Opportunity Grant, over 350 private scholarships, and other functions without the loan program.

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- General Fund to subsidize OHSU operations will total \$53.0 million for the biennium. This is a decrease of approximately 37 percent from the 2003-05 Legislatively Approved Budget. Debt service of \$32.0 million on bonds sold for the Oregon Opportunity Program will be paid with Tobacco Settlement revenues.
- Included in the General Fund recommendation for OHSU is a \$2.7 million appropriation to continue operation of the Oregon Poison Center at current levels. During the 2003-05 biennium, the Poison Center was funded equally with General Fund appropriated to OHSU and a one-time allocation of Criminal Fines and Assessment Account revenues.
- State support for OHSU operations has declined since the university became a public corporation in 1995. With the additional reductions recommended for the 2005-07 biennium, the Governor's Office will review options to transfer nursing and allied health education programs to the state's public universities and community colleges. Programs in these areas are currently offered at several of these institutions in cooperation with OHSU.
- While no package is specifically included at this time for an investment by the state in stem cell research, the Governor is interested in working with OHSU, the Legislature, the federal delegation, and the private sector to help make Oregon one of the centers of progress for stem cell research and may bring forward during the legislative session a request to issue lottery bonds for this purpose. In January 2004, OHSU established the Oregon Stem Cell Center, the first of its kind in the Northwest, to study cell and gene therapy as an alternative to organ transplantation for pancreatic and liver disorders, diabetes, cancer, and a host of other human diseases.
- The recommended budget includes \$388.4 million General Fund to support community college operations. This amount is 5.5 percent less than the 2003-05 Legislatively Approved Budget. Reductions in state funding over the past several biennia have resulted in increases in tuition and reductions in enrollment. As locally-elected community college boards consider program reductions and other actions, high-cost professional technical courses that represent an important part of Oregon's workforce strategy are at risk.
- The recommended budget includes \$94.1 million in general obligation bonding authority for Capital Construction projects at six community colleges. The state has not contributed to college facility costs since the 1979-81 biennium. The colleges are responsible for contributing an additional \$94.1 million to provide the constitutionally-required match for the bonds. Sale of the bonds will be delayed until the latter part of the biennium to defer General Fund debt service until the 2007-09 biennium.

## EDUCATION BENCHMARKS

Education services strive to meet the basic educational needs of Oregon’s children and to help adults develop career skills through training and higher education. The following Oregon Benchmarks show how Oregon is doing in this area.

**Ready-to-learn** - Benchmark 18: percent of children entering school ready to learn. This benchmark gauges early childhood preparation for school. It is based on a biennial assessment of kindergarteners’ physical well being, language usage, approaches toward learning, general knowledge, motor development, and social and emotional development. In Oregon, this measure improved steadily from 1997 to 2002.

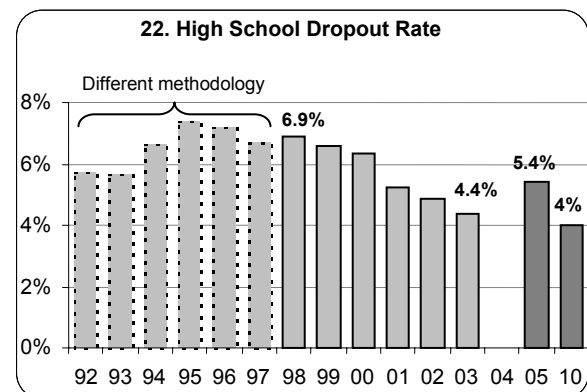
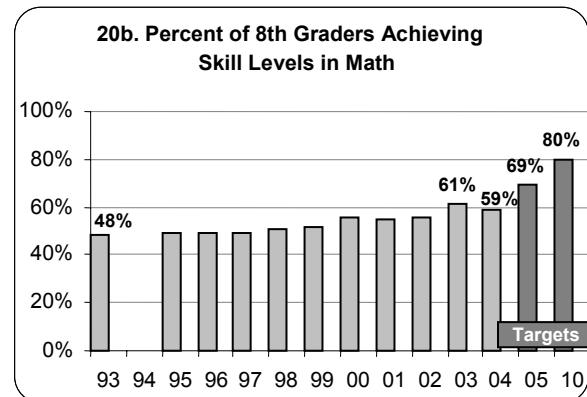
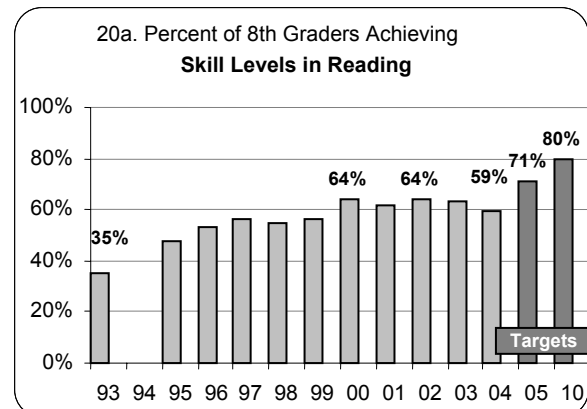
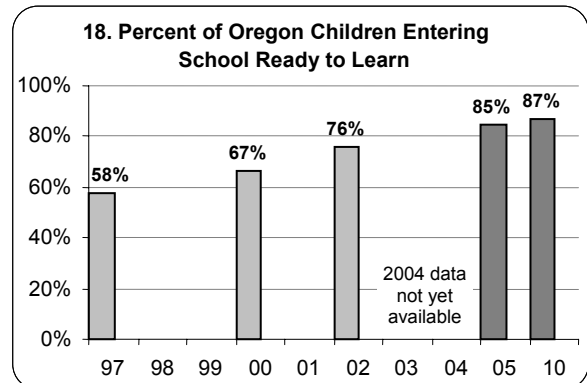
**Eighth grade reading and math** - Benchmark 20: the percent of eighth graders achieving established skill levels: a. reading, b. math. On average, reading and math skills fell slightly for Oregon eighth graders in 2004.

**High school drop out rate** - Benchmark 22: the percent of students each year who leave grades 9-12 before receiving a high school diploma. Oregon’s dropout rate has been improving steadily since 1998.

**Bachelor’s and advanced Degrees** - Benchmark 26: percent of adults (25+) who have completed: a. bachelor’s degree, b. advanced degree. New and current jobs in the state require higher average skills levels. Out-of-state recruitment occurs when Oregonians are not qualified. In 2002, about 30 percent of Oregonians had a college degree and 11 percent had advanced degrees.

Other educational benchmarks include:

- **Foreign language** – Benchmark 17: percent of Oregonians who speak a language in addition to English.
- **Third grade reading and math** – Benchmark 19: percent of 3<sup>rd</sup> graders who achieve established skill levels in reading and math.



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- **Certificate of Initial Mastery**– Benchmark 21: percent of high school students who attain a Certificate of Initial Mastery (CIM). The purpose of the CIM is to assure that each student has mastered key academic knowledge and skills at high proficiency levels.
- **High school completion** - Benchmark 23: percent of Oregon adults (25+) completing high school or equivalent.
- **Some college** – Benchmark 24: percent of Oregon adults (25+) who have completed some college.
- **Postsecondary credentials** – Benchmark 25: percent of Oregon adults (25+) who have an Associates degree or other occupation-related credential.
- **Literacy rate** - Benchmark 27: the percentage of adult Oregonians with intermediate literacy skills: a. prose, b. document, c. quantitative. Levels of literacy are highly correlated with earnings potential and poverty.
- **Computer usage** – Benchmark 28: percent of adult Oregonians who use a computer or related electronic device to: a. access the Internet, b. create documents/graphics or analyze data.
- **Skills training** – Benchmark 29: percent of Oregonians in the labor force who received at least 20 hours of skills training in the past year.

Data and reports for all Oregon Benchmarks can be found at <http://www.oregon.gov/DAS/OPB/obm.shtml>.

# Education

## DEPARTMENT OF COMMUNITY COLLEGES AND WORKFORCE DEVELOPMENT

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$382,129,816	\$416,420,326	\$393,642,264
Lottery Funds	0	49,000	0
Other Funds	13,908,964	13,152,259	13,557,139
Federal Funds	146,092,209	123,383,620	127,459,844
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	2,339,105	12,000,000
Total Funds	\$542,130,989	\$555,344,310	\$546,659,247
Positions	48	46	50
Full-time Equivalent	47.07	44.70	48.74

### Overview

The Department of Community Colleges and Workforce Development 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 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 the following programs:

- 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, as well as skill enhancement for workers who already have jobs.
- Training tailored for businesses.
- Adult literacy, including General Educational Development (GED) course work.

The Department co-administers federal Carl Perkins funding with the Department of Education. These funds are used to provide assistance to community colleges on professional technical programs.

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.

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The Department also provides the following programs and services:

- GED tests and program coordination.
- Comprehensive Adult Student Assessment System (CASAS) tests, for statewide Adult Basic Education.
- Oregon Youth Conservation Corps (OYCC). The program provides education, training, and jobs for at-risk youth ages 16 to 25. Jobs are created through partnerships with public natural resource entities. A nine-member advisory committee assists the program.

## Recommended Budget

The Governor's recommended budget is \$546.7 total funds, 1.6 percent less than the 2003-05 Legislatively Approved Budget. The reduction is primarily due to decreased General Fund support for community colleges. The budget includes bonding authority to support \$94.1 million in Capital Construction projects at six colleges; the state has not made a significant investment in community college facilities since the 1979-81 biennium. The budget also includes funds for development of a PreK-16 data system in cooperation with the Department of Education and the Department of Higher Education.

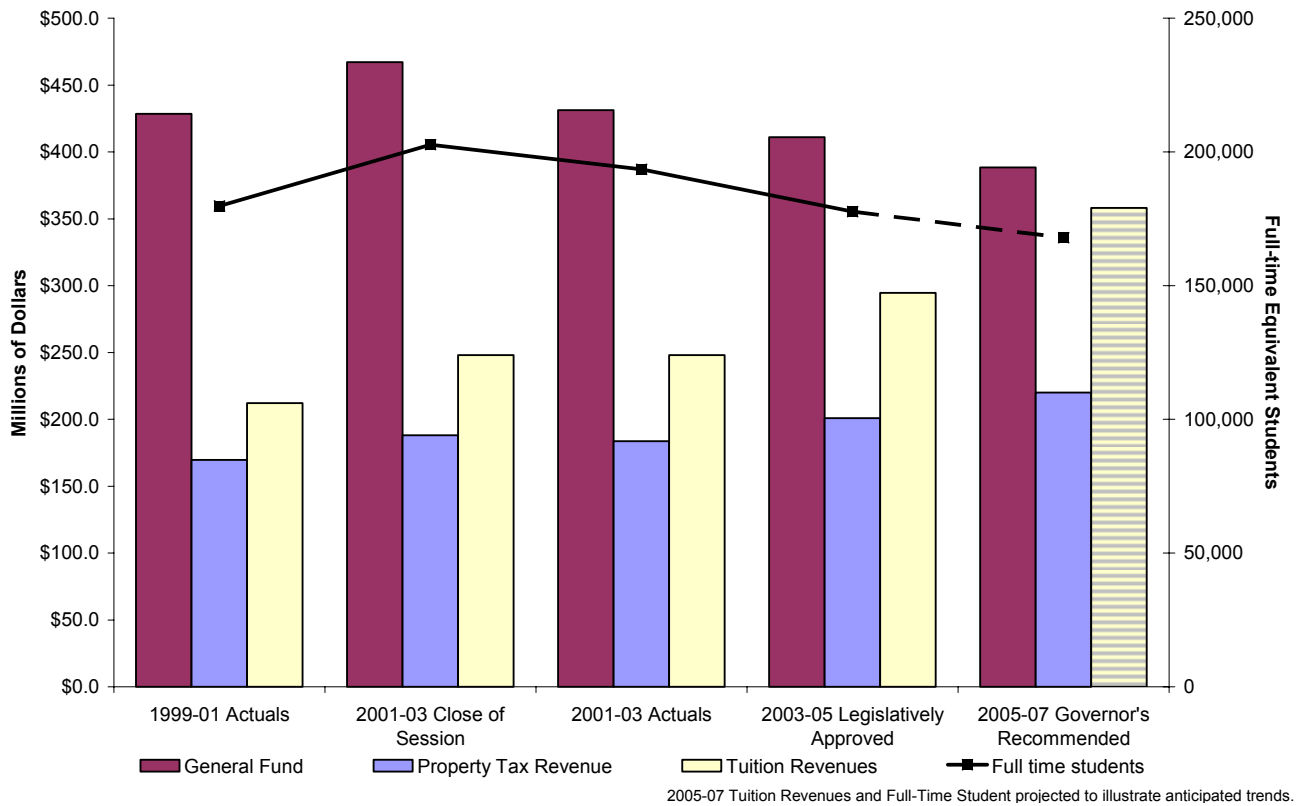
The budget provides \$388.4 million General Fund to support community colleges. This is a 5.5 percent decrease from the 2003-05 Legislatively Approved Budget. Reductions in state support for community colleges over the past several biennia have resulted in increased tuition and lower enrollment, as shown in the following chart. The 2001 Legislature increased funding for community colleges by nine percent in anticipation of a significant increase in enrollment. As state revenues began to decline due to the economic slowdown, General Fund support was reduced by 7.7 percent at the end of the 2002 Fifth Special Session and another 4.7 percent in the 2003-05 Legislatively Approved Budget. With property tax revenues constrained by Measures 5 (1990) and 50 (1997), the colleges increased tuition, by an average of 14 percent in 2002-03 and 23 percent in 2003-04. Enrollment dropped 4.5 percent below projections in the 2001-03 biennium and is expected to drop an additional 8.2 percent during the 2003-05 biennium.

At the 2005-07 recommended funding level, the colleges anticipate enrollment will remain flat or continue to decline. With reduced state support, the colleges will need to increase tuition by a greater amount, reduce academic and other programs, or take other actions. Final decisions will be made by the locally elected community college boards.

Oregon Revised Statute 341.009 (14) directs that "...the state should maintain a policy of substantial state participation in community college building costs....". During the 1960s and 1970s, the Legislature authorized the sale of \$5-\$7 million in Article XI-G bonds per biennium for community college construction projects, with an equal amount of General Fund to meet the constitutionally-required 50 percent state match. No bonds have been authorized since the 1979-81 biennium and the total bonded debt had declined to \$4 million by June 2004.

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### Community College Funding



The recommended budget includes bonding authority for projects at Rogue Community College, Oregon Coast Community College, Columbia Gorge Community College, Clatsop Community College, Tillamook Bay Community College, and Klamath Community College. Fifty percent of the \$94.1 million in project costs will be paid with Article XI-G bonds; the state pays debt service on these bonds with General Fund. The remaining 50 percent constitutionally-required matching funds will be provided by the colleges. Voters in the Rogue, Oregon Coast, and Columbia Gorge community college districts recently passed property tax measures to fund facilities projects at the colleges.

Rogue Community College is planning to construct a new instructional building in Medford in cooperation with Southern Oregon University. The Department of Higher Education budget includes funding for the university's portion of the project. Clatsop Community College is working with Portland State University on partnership opportunities for its facilities project.

The budget includes placeholder expenditure limitations for each of the six community college projects, pending legislative review of project plans and availability of matching funds. Sale of Article XI-G bonds will be delayed until the end of the biennium to defer debt service payments until 2007-09. The Department will contract with private consultants and the Department of Higher Education for fiscal and program management of the construction program.

Funding for workforce programs and the Oregon Youth Conservation Corps is continued at current levels.

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## Revenue

General Fund resources finance the Community College Support Fund, debt service, and a portion of office operations. Other Funds revenue sources include:

- Fees for the GED and CASAS tests.
- Charges to community colleges for Adult Basic Education materials and training.
- Funds from the Department of Education for Carl Perkins program support.
- Amusement device taxes for the Oregon Youth Conservation Corps program.

Federal Funds revenue sources include Workforce Investment Act Title II for Adult Basic Education and Act Title IB for job training. The Department also received 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. Debt service on the Article XI-G bonds is paid with General Fund.

# Education

## DEPARTMENT OF EDUCATION

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$4,043,880,643	\$4,695,031,112	\$4,941,233,788
Lottery Funds	670,555,680	507,799,698	352,661,954
Other Funds	324,756,410	66,912,964	52,045,043
Federal Funds	694,639,174	687,320,617	800,899,023
Other Funds (Nonlimited)	6,010,883	98,814,669	4,856,586
Federal Funds (Nonlimited)	0	187,319,482	243,186,904
Total Funds	\$5,739,842,790	\$6,243,198,542	\$6,394,883,298
Positions	572	486	478
Full-time Equivalent	457.14	447.32	440.00

### Overview

The mission of the Oregon Department of Education is to implement federal and state laws and help schools implement the Oregon Educational Act for the 21<sup>st</sup> Century, fostering greater student success, quality schools, and more integrated and accountable community systems.

The Department of Education 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 head 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.

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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.

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

The Governor's recommended budget invests in education at all levels as a top priority. The budget for the Department of Education is \$6.4 billion total funds, or an increase of 2.4 percent over the 2003-05 Legislatively Approved Budget. The increase is a result of 1.7 percent more General Fund and Lottery Funds resources for K-12 school funding, and an increase in Federal Funds of 19 percent, or almost \$170 million.

The budget includes \$5 billion for the State School Fund. This funding is distributed directly to local education districts. The Governor's budget increases state funding to schools by \$84 million, or 1.7 percent, compared to the 2003-05 level. The budget also includes funds to support early literacy and for development of a Pre-K-16 data system in cooperation with the Department of Community Colleges and Workforce Development and the Oregon University System. Reductions in the budget will affect Department operations and Grant-in-Aid programs including Early Intervention/Early Childhood Special Education, Regional Programs, Long Term Care and Treatment program, and Oregon Pre-Kindergarten.

- Department Operations. This program provides leadership, accountability, and support to schools statewide in a number of areas. This includes school improvement, assessments, special education, professional/technical education, legal requirements, nutrition, and transportation. The budget funds this section at 5.5 percent over the 2003-05 level, for a total of \$90.3 million. This includes a 2.1 percent increase in General Fund, as a result of a policy package to develop a comprehensive data system for PreK-16. This system will provide efficiencies as school district and Education Service District data systems are integrated. The system will also be integrated with postsecondary systems, allowing student information to be moved electronically from PreK-12 entities to community colleges and universities.

The budget provides continued funding of the assessment system, as required to support statewide implementation of the Education Act for the 21st Century as well as federal requirements under No Child Left Behind. Funding for assessment is reduced to reflect one-time savings as a result of the delay in the English Proficiency test and the suspension of the math problem solving assessment.

Even with the modest increase in funding, the Operations \$36.1 million General Fund budget is 15 percent less than it was back in 1999-2001. In spite of this, the agency has made significant progress in strengthening basic infrastructure such as technology, data integration, grants management, budget, and personnel management. Over the last year, the agency has been reorganized to increase efficiency and effectiveness. A new unit will focus on accountability for the agency and school districts, as well as policy development.

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- 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 serving students, ages four to 21, who are visually impaired. About 50 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 over 100 children each year.

The School for the Deaf is designed for 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 12<sup>th</sup> grade. About 30 percent of these children have learning problems in addition to their hearing impairment.

The General Fund budget for these schools is \$17.1 million, or three percent higher than the 2003-05 Legislatively Approved Budget. While no reductions are taken in this budget for the 2005-07 biennium, budget cuts during the last two biennia are making it increasingly difficult to serve this population and maintain adequate facilities.

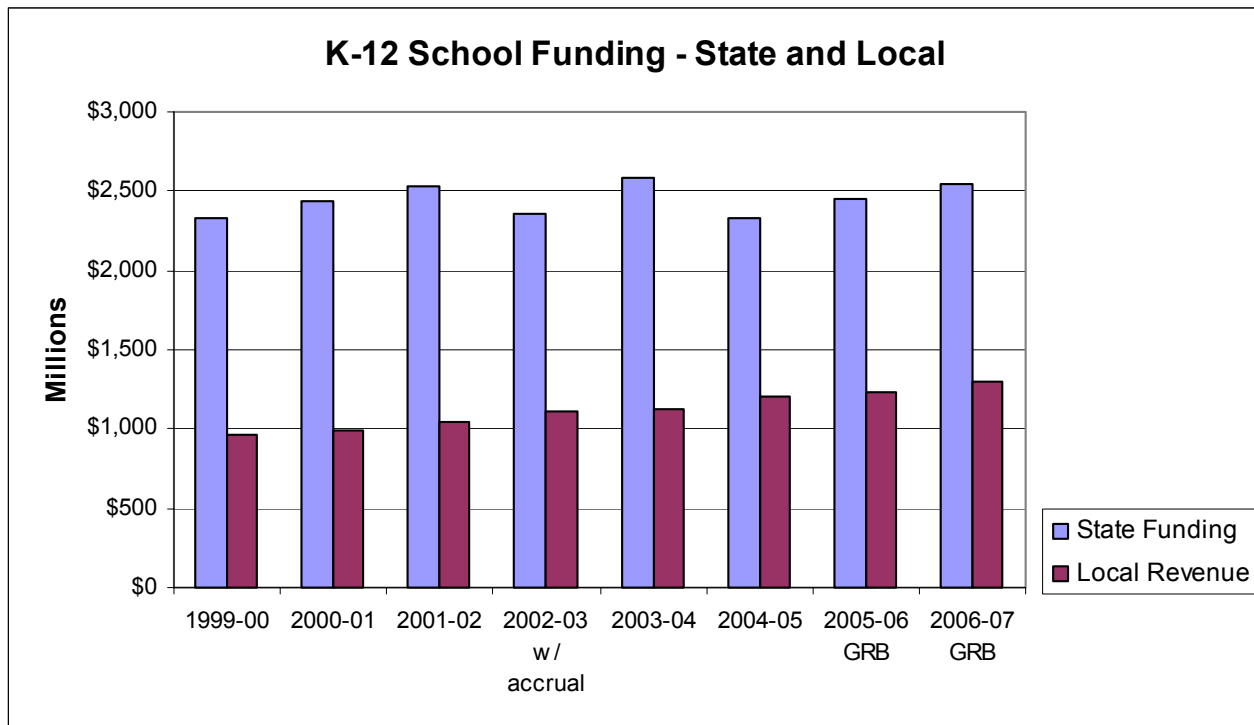
- Lottery Bond Debt Service. The budget includes \$56.9 million of Lottery Funds to pay the 2005-07 debt service costs on \$277 million in Lottery-backed revenue bonds for education issued in the 1997-99 and 1999-2001 biennia.
- Youth Corrections Education Program. Education for young offenders at the Hillcrest and MacLaren schools, juvenile work-study camps, and at other Oregon Youth Authority facilities is funded through the Department. 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 \$27.2 million total funds, or 11 percent higher than the 2003-05 level.
- 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 \$184.3 million General Fund for Grant-in-Aid programs. This is about three percent less than the 2003-05 Legislatively Approved Budget. Regional Programs, Early Intervention/Early Childhood Special Education, Hospital programs, and Long Term Care and Treatment programs have all been reduced by a small amount. The budget also anticipates distributing \$998 million Federal Funds to local education districts during 2005-07. This is an increase of \$166 million over the 2003-05 Legislatively Approved Budget. The largest increases are for special education services and to provide education for children in poverty.

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The budget provides \$43.9 million General Fund for the Oregon Pre-Kindergarten program. This is 18 percent less than the 2003-05 level. The program will be able to serve about 53 percent of eligible children in 2005-07, down from about 60 percent currently.

The Early Intervention/Early Childhood Special Education program continues to expand for new eligible children. The Early Intervention program is a state-mandated service to children ages two and under and their families who need help with a variety of learning disabilities. The Early Childhood Special Education program is mandated by federal law. It requires services to children, age three to five, who have developmental and other disabilities. The budget provides almost \$90 million General Fund and \$30 million Federal Funds for this program. Almost \$5 million of this is new funding to serve additional children.

The recommended budget continues to invest in early literacy through the Start Making a Reader Today (SMART) program. Funding is included to continue to help school districts pay for connectivity services. State support for the Frontier Learning Network and Student Leadership Centers has been eliminated.



- State School Funding.** The State School Fund is distributed to the 198 elementary and secondary school districts and 20 education service districts around the state. State funds contribute about 60 percent of local district funding for the 2005-07 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 over 94 percent of the General Fund and Lottery Funds resources in the Department of Education.

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The budget provides \$5 billion for school funding, reflecting the Governor's priority of investing in the future through education. This represents an additional \$84 million, or a 1.7 percent increase, in state funding compared to the 2003-05 level. The budget includes \$122 million in General Fund that was needed to replace the one-time funding from the Education Stability Fund in 2003-05. Schools will also receive an estimated \$211 million increase in local revenues, mostly property taxes, during 2005-07. The combined increase in state and local funding results in a 4.1 percent increase in resources for schools. This budget is expected to stabilize school funding, after the past several years of unpredictable and variable funding levels.

The budget also provides \$500,000 for local option equalization grants. School districts with lower property values will have these grants available as state match when they pass a local option levy to fund their local schools.

### 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 bond 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. During 2003-05, revenue from the Education Stability Fund was included in the State School Fund. That resource was one-time and is replaced with General Fund.

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

# Education

## DEPARTMENT OF HIGHER EDUCATION

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$746,014,010	\$671,431,645	\$685,450,858
Lottery Funds	4,869,745	8,123,462	11,998,734
Other Funds	1,203,343,594	1,480,271,558	1,408,386,847
Federal Funds	0	0	0
Other Funds (Nonlimited)	1,730,045,995	2,087,285,908	2,425,619,327
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$3,684,273,344	\$4,247,112,573	\$4,531,455,766
Positions	13,730	14,781	13,882
Full-time Equivalent	11,155.90	12,061.26	11,301.52

### 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, 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.

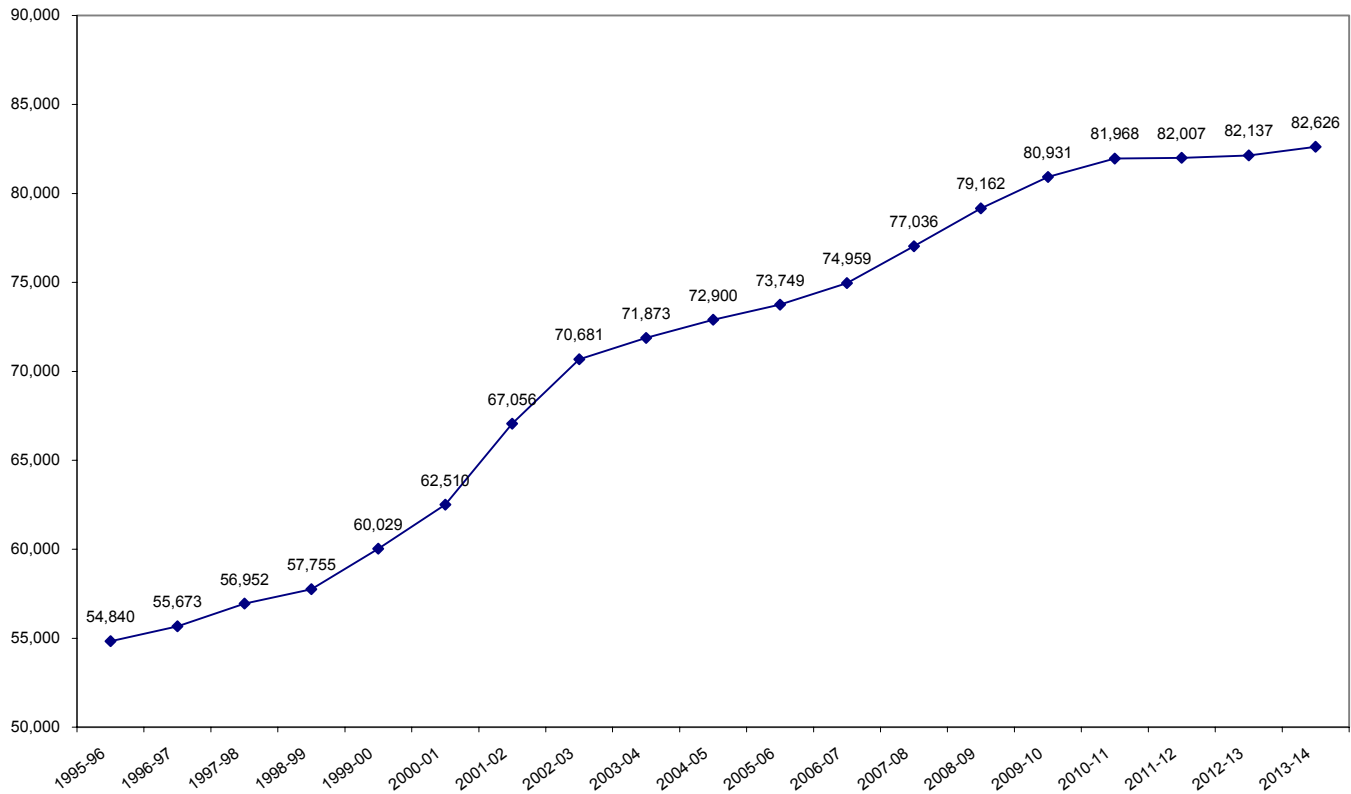
Enrollment projections for the next 10 years show continued growth, totaling about 15.5 percent for the period, with the strongest growth in the next five years. The following chart shows full-time enrollment projected through 2013-14.

Factors contributing to the strong long-term growth include the baby boom echo, improved high school retention and graduate rates, continued emphasis on job growth in areas requiring college degrees (such as high technology, biosciences, and teaching), and higher expectations of parents, more of whom have college degrees themselves. In addition, enrollment in community colleges has changed somewhat to include more students who are taking higher course loads and anticipate transferring to a four year university.

Higher unemployment keeps students in school. The layoffs in the high tech industries created a new class of unemployed Oregonians with bachelor's degrees, leading to an increase in graduate level applications. Increased education costs can keep students on task, taking larger course-loads and increasing retention.

# Education

## Enrollment Projections: 1995-96 to 2013-14



Factors that could have an adverse affect on enrollment include the rising cost of tuition and fees, changes to tuition plateaus at most universities, and increased competition for limited financial aid dollars. Continuing program cuts resulting in larger class sizes, reductions in course offerings, longer times to graduation, and reduced resources to support faculty may lead to perceptions of reduced academic quality. Some campuses are approaching their physical capacity to accommodate additional enrollment with existing facilities.

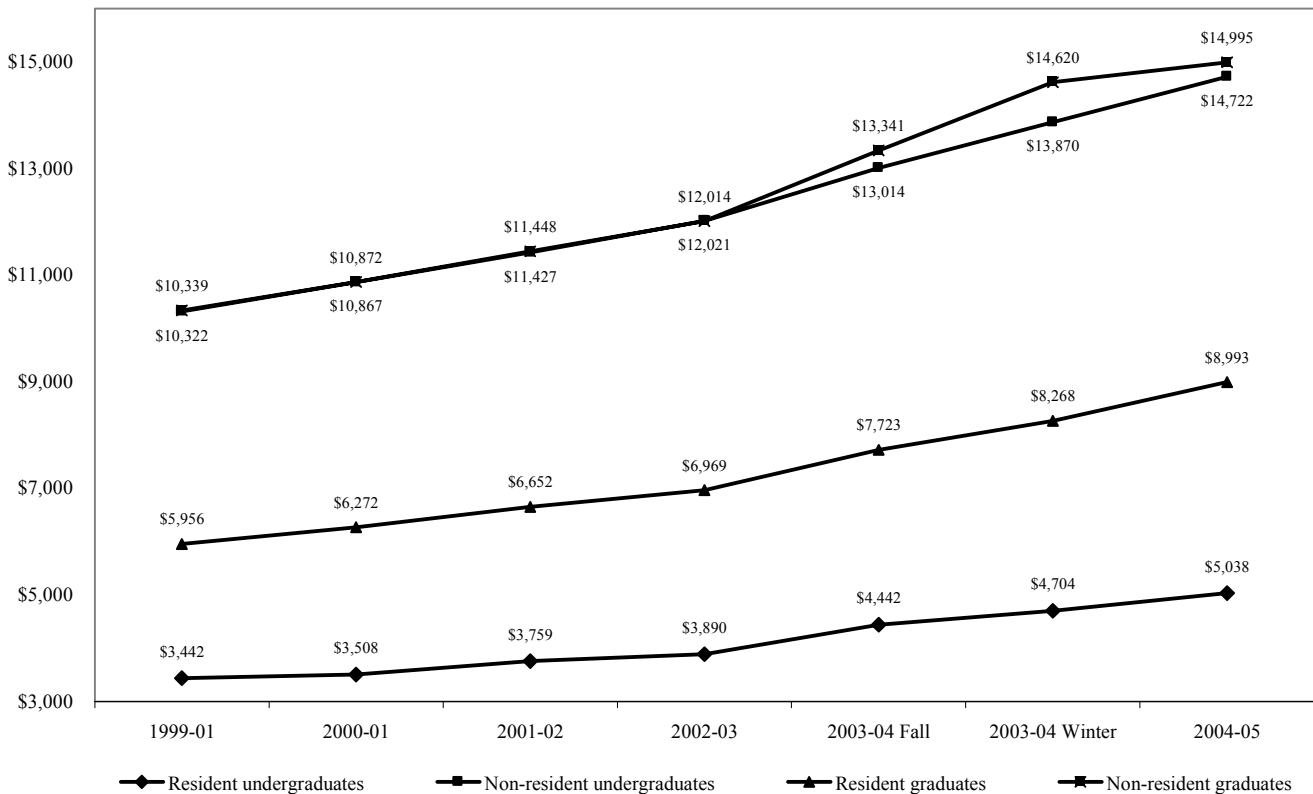
Over the past five years, as shown in the following chart, total tuition and fees have grown at an annual rate of 9.3 percent for full-time resident undergraduates and between 8.5 percent and 10.2 percent for full-time graduates and non-resident undergraduates. During the 2005-07 biennium, tuition increases of five to seven percent in the first year and five percent in the second year are anticipated.

## Recommended Budget

The Governor's recommended budget is \$4.53 billion total funds, a 6.7 percent increase from the 2003-05 Legislatively Approved Budget. The General Fund budget of \$685.4 million is increased by 2.1 percent. The recommended budget includes funding for development of a PreK-16 data system in cooperation with the Department of Education and the Department of Community Colleges and Workforce Development. The budget includes \$1.0 million General Fund for faculty compensation, in recognition of the disparity between salaries in Oregon and national averages. Reductions in funding for

# Education

Annual Tuition and Fees: 1999-01 to 2004-05



campus and Chancellor’s office operations are also included in the recommended budget, with the exception of targeted funding for the four smaller universities and the Oregon State University Cascades campus which is not reduced. The Governor’s office is working with businesses and other organizations in central Oregon to expand capacity at the Cascades campus.

Funding is provided to upgrade infrastructure at each of the seven campuses. Ten deferred maintenance projects are funded at \$102.3 million Other Funds, with revenues from general obligation bonds, Lottery-backed bonds, energy loans, and other sources. An additional \$20 million Other Funds from sales of Certificates of Participation will fund upgrades to the campus telecommunications wiring system at Oregon State University and other information technology and telecommunications needs throughout the system.

The Education and General Services program includes the instruction, research, public service, and operating costs of the campuses and the centralized administration and support services of the Department. The recommended budget reduces funds distributed to the campuses as well as to most targeted programs. Technical adjustments, primarily to Personal Services costs, reduce General Fund and Other Funds while increasing Other Funds Nonlimited.

The impact of General Fund reductions on affordability, access, and educational quality will depend on decisions by the Board and the campuses regarding program reductions, tuition and fee increases, one-time administrative actions, and use of available fund balances. The budget includes sufficient Other

## Education

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Funds expenditure limitation for tuition increases of approximately five percent per year. The Department estimates it would need an additional two percent increase in the first year of the biennium to offset General Fund reductions. If the additional two percent tuition increase is approved, the Other Funds expenditure limitation would need to be increased by approximately \$24 million.

The 2003 Legislature imposed a cap on programmatic and graduate fee remission. Programmatic fee remissions allow the campuses to manage enrollment, offer discounts to students in financial need, increase diversity, and recruit and retain high-achieving students. Graduate fee remissions represent both financial aid and compensation to graduate students performing teaching and research duties. The recommended budget eliminates the programmatic fee remission cap over two biennia and eliminates the graduate fee remission cap immediately.

The General Fund budgets for the Agricultural Experiment Station, Extension Service, and Forest Research Laboratory are reduced by 0.6 to 2.2 percent from the 2003-05 Legislatively Approved Budget. The Department indicates that the reductions will limit the ability of the three programs to conduct research and provide services to citizens.

The recommended budget includes funding for expanded instructional facilities in Medford. This is a joint project between Southern Oregon University (SOU) and Rogue Community College (RCC). The Department of Higher Education budget includes \$5.4 million General Fund and \$6.4 million Other Funds for the SOU component of the project. Portland State University is working with Clatsop Community College (CCC) on a partnership opportunity. The Department of Community Colleges and Workforce Development budget includes funding for the RCC and CCC projects.

Placeholder expenditure limitations are included for construction of a new education building at the University of Oregon. Final approval of the \$48.1 million project is dependent upon legislative review of project plans and progress towards generating the constitutionally-required 50 percent match against Article XI-G general obligation bonds. Debt service on the bonds will be paid with General Fund beginning in the 2007-09 biennium.

Twenty-five additional campus projects are recommended for a total funds cost of \$163.6 million; six of these projects are included with \$1 expenditure limitations pending review by the Legislative Assembly or the Emergency Board of final project plans and funding. These projects primarily involve housing, dining, parking, recreational, and other auxiliary services facilities. They are largely funded with self-financing bonds and donations. An additional \$68.6 million is included in the budget for capital repair, code compliance, and academic modernization projects throughout the system. This amount includes \$23.6 million in General Fund and general obligation bonds for Education and General facilities. The remainder consists of self-supporting bonds and other revenues that will fund auxiliary services projects.

## 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. The remaining General Fund support to campuses, and all General Fund support for centralized services, is distributed in the RAM through targeted programs. Targeted programs include all

## Education

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funding that is not on a direct enrollment basis. Targeted programs are designed to address the costs of the system that are not directly related to enrollment levels.

Proceeds of the Sports Action Lottery game are used to finance intercollegiate athletics and graduate student scholarships. General Lottery proceeds are allocated for debt service on Lottery-backed bonds for Capital Construction projects.

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 General Fund and limited Other Funds supported programs. 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 equally by the General Fund and Article XI-G general obligation bond proceeds. Debt service on Article XI-G bonds is paid with General Fund.

For the 2005-07 budget, Article XI-J (State Energy Loan Program) bonds and Lottery-backed bonds are recommended for deferred maintenance projects on all seven campuses. Debt service on energy bonds are paid with General Fund. Debt service on Lottery Bonds are paid with general purpose Lottery Funds. Bond sales will be scheduled towards the end of the biennium, deferring debt service on these bonds until the 2007-09 biennium.

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. Recently the Department has used Article XI-F(1) bonds to construct certain instructional facilities as well, for which some or all of the debt service is charged to the instructional units occupying the facility to be repaid with general operating revenues (General Fund and Other Funds from tuition and fees).

# Education

## OREGON STUDENT ASSISTANCE COMMISSION

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$35,812,991	\$44,845,597	\$94,812,378
Lottery Funds	1,648,271	647,977	761,190
Other Funds	15,681,134	15,343,263	3,888,998
Federal Funds	1,097,891	1,239,605	2,103,860
Other Funds (Nonlimited)	58,471,638	54,174,750	9,014,812
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$112,711,925	\$116,251,192	\$110,581,238
Positions	93	87	26
Full-time Equivalent	91.72	87.00	26.00

### Overview

The Oregon Student Assistance Commission administers financial aid programs to help Oregon students obtain a postsecondary education. The Commission manages over 320 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 following programs:

- Opportunity Grants for needy Oregon undergraduate students;
- the federal Leveraging Educational Assistance Partnership, which provides federal resources for the state Opportunity Grant;
- the Oregon Nursing Services Program, for nurses working in nursing shortage areas;
- the Rural Health Services Loan Repayment program;
- over 320 privately-funded scholarship programs;
- Individual Education Accounts in the federal JOBS Plus program;
- the federal Robert C. Byrd Scholarship program; and
- Access to Student Assistance Programs in Reach of Everyone (ASPIRE) Volunteer Advisory Program.

# Education

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For many years, the Commission administered the Federal Family Education Loans Program in Oregon. The Commission guaranteed lenders that student loans would be repaid, worked with borrowers to resolve delinquencies, purchased defaulted loans from lenders, and attempted to collect the default amounts from the borrowers. Due to changing market conditions and federal regulations, the loan program is unable to generate sufficient revenue to cover its expenses. By the end of the 2003-05 biennium, the Commission will have either sold the program to another guarantee agency or returned it to the federal government.

The Office of Degree Authorization is a statutory office that reviews postsecondary programs and ensures the quality of degrees. The Office grants approval for postsecondary institutions to offer degrees. They also work to protect Oregonians from the use of fraudulent or substandard degrees.

*Measuring UP 2004*, the latest in an annual series of reports on state higher education programs, concluded that “Oregon’s performance is mediocre in preparing its young people for education and training beyond high school. The likelihood of high school students going on to college immediately after graduation has declined sharply over the past decade. The state has lost ground in providing students with an affordable higher education, which may undermine its efforts to send clear messages to them about the importance of being prepared academically for college”.

Oregon is one of 36 states to receive an F in affordability. The report concludes that “compared with top-performing states, families in Oregon devote a very large share of family income, even after financial aid, to attend public two- and four-year colleges and universities”. Over the past ten years, the share of family income, after financial aid, needed to pay expenses has grown from 21 to 29 percent at community colleges and from 25 to 34 percent at public universities. Students in the lowest 40 percent of average family income would have to spend 43 percent of that income to attend one of the state’s community colleges and 50 percent to attend a state university.

## Recommended Budget

The Governor’s recommended budget is \$110.6 million total funds. This is a 4.9 percent decrease from the 2003-05 Legislatively Approved Budget (LAB). The General Fund budget of \$94.8 million is 111.4 percent above the 2003-05 LAB due primarily to increased funding for the Opportunity Grant. Other Funds and Other Funds Non-limited are reduced by a combined 81.4 percent as a result of the elimination of the loan program. General Fund is also increased to continue operation of the remaining functions of the agency without loan program revenues.

The recommended budget increases General Fund support for Opportunity Grants to \$91.6 million, a 111.1 percent increase from the 2003-05 level. Combined with \$0.8 million in dedicated Lottery Funds and \$2.1 million in federal grants, the funding level is sufficient to allow the Commission to increase income eligibility to 75 percent of median family income for dependent students and 35 percent of median family income for single dependent students.

Even with the increased eligibility thresholds, and despite increases in enrollment and tuition, the funding level is sufficient to make awards to all eligible applicants anticipated during the 2005-07 biennium, at the current 11 percent of educational costs. During the 2003-05 biennium, less than 75 percent of eligible applicants received awards.

## Education

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The Board of Higher Education Access and Affordability Workgroup, which includes representatives of the Student Assistance Commission, public and private universities, community colleges, students, and other stakeholders, is working on a proposal to lower financial barriers to post-secondary education in Oregon. The proposal contains a redesign of the Opportunity Grant program and may result in modified eligibility criteria and award levels. The Workgroup plans to complete its work for presentation to the 2005 Legislature.

The Commission is scheduled to transition the loan program to a successor agency or return it to the federal government by March 2005. Elimination of the loan program results in a reduction of \$42.1 million Other Funds and Other Funds Nonlimited and elimination of 44 positions.

The recommended budget includes a re-organization that will continue the Commission as a stand-alone agency that will remain in Eugene. The remaining program components, grants and scholarships, the Office of Degree Authorization, information services, and agency administration, are reconfigured to continue operation without loan program revenues or expenses, resulting in the elimination of 13 positions and reduction of \$3.1 million Other Funds. To replace the allocation of operations costs to the loan program, additional General Fund is needed to support these programs. The budget includes \$1.6 million in additional General Fund as a placeholder while additional details of the loan program termination are being resolved prior to adoption of the 2005-07 Legislatively Adopted Budget.

### Revenue

General Fund is used to support the Opportunity Grant, the Rural Health Services program, and the Nursing Services program. It also provides support to the Office of Degree Authorization and agency administration. A larger share of the cost of administering the agency will be paid with General Fund as a result of the elimination of the loan program.

Twenty-five percent of interest earnings from the Education Stability Fund are allocated for Opportunity Grants. Transfers from the Fund in 2003 to support elementary and secondary education significantly reduced interest earnings. An additional transfer from the Education Stability Fund is scheduled to occur in 2005.

With the elimination of the loan program, the Commission's largest source of Other Fund revenues is donations from individuals and organizations to fund scholarship awards. A percentage of these donations is retained for administration of the grants and scholarship program. The Commission also receives transfers from other agencies to provide student assistance. These include uncollected JOBS Plus awards transferred from the Department of Human Services and federal Robert C. Byrd funds transferred from the Department of Education. The ASPIRE program receives grants from a variety of sources including the Oregon Community Foundation, the Ford Family Foundation, and a federal AmeriCorps grant. The Office of Degree Authorization charges fees for reviewing degrees from private post-secondary institutions.

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

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	3,320,018	3,574,664	3,820,753
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$3,320,018	\$3,574,664	\$3,820,753
Positions	19	21	22
Full-time Equivalent	17.75	20.00	21.50

### Overview

The Teacher Standards and Practices Commission works to ensure that every student in Oregon is taught by skilled and ethical educators. The Commission:

- Establishes rules for licensing, and issues licenses to educators.
- Maintains professional standards.
- Approves teacher education programs for universities.
- Conducts fingerprinting and teacher testing programs.

### Recommended Budget

The Governor's recommended budget for the Commission is \$3,820,753 Other Funds. This is a 6.9 percent increase over the 2003-05 Legislatively Approved Budget. The budget adds staff to help with the increased workload of licensing and investigations of potential discipline cases.

The budget also adds resources to update computer hardware. During the current biennium the agency implemented scanning technology, providing staff easy access to electronic documents. The new computer hardware will allow the agency to take full advantage of these system improvements. Over the last several years, the agency has made a number of improvements to automate parts of the licensing process and to provide better customer service using the Internet. This budget will allow the Commission to continue those improvements.

### Revenue

The Commission is supported entirely with Other Funds. This revenue comes from fees paid for licenses and fingerprints. The budget includes a proposed fee increase.

# Education

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