

Education

PROGRAM AREA AGENCIES

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	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$5,921,015,867	\$6,372,396,765	\$7,386,748,402
Lottery Funds	515,356,295	516,714,546	631,554,417
Other Funds	1,526,091,260	1,735,023,182	2,099,675,760
Federal Funds	781,668,729	866,548,960	880,963,704
Other Funds (Nonlimited)	1,945,312,506	2,242,313,559	2,315,990,344
Federal Funds (Nonlimited)	237,451,634	239,855,675	241,525,471
Total Funds	\$10,926,896,291	\$11,972,852,687	\$13,556,458,098
Positions	16,736	16,179	18,638
Full-time Equivalent	12,716.51	12,677.06	13,327.00

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 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 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 three statewide public service programs, the Agricultural Experiment Station, the Extension Service, and the Forest Research Laboratory, and the Cascades campus in Bend.

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 331 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 the hospital and clinics.

Education Enterprise The Governor has directed education agencies to advance legislative and budget proposals intended to develop a connected and integrated education and workforce system. The goal is to promote smooth and successful student transition from the Pre-K-12 system to post-secondary education, occupational and vocational training, and the workforce. Joint committees of the Board of Education, the Board of Higher Education, the Student Assistance Commission, and the Workforce Investment Board have proposed that 40 percent of Oregonians will hold a professional certificate or an associate of arts degree by 2025, and that another 40 percent will hold a bachelor of arts or bachelor of science degree. Analysis of population trends, and retention and graduation rates in high schools, community colleges, and universities suggest that the state is producing fewer than half the graduates to meet these goals.

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To achieve these goals, the Governor's Education Enterprise commits the equivalent of at least 61 percent of state General Fund revenues every biennium to Oregon's public education system. It also guarantees a minimum

10-percent biennial increase in funding for each sector of the enterprise every biennium over the previous biennium.

The Governor's plan also includes funding to restore a meaningful Education Stability Fund (which some call the education "rainy day" fund), giving Oregon the means to mitigate the harm to education that a future economic downturn could cause. His plan also establishes an "Innovation Fund," to support strategic investment at all levels of education.

Recommended Budget

The budget for the Education Program Area is \$13.6 billion total funds, a 13.2 percent increase compared to the 2005-07 Legislatively Approved Budget. General Fund and Lottery Funds total \$8.1 billion, a 16.4 percent increase over 2005-07 levels. This amount represents 63.6 percent of General Fund revenues, above the Education Enterprise floor of 61 percent. Both amounts exceed the minimum levels established in the Education Enterprise model.

The budget includes \$6.06 billion for K-12 schools, more than \$250 million above the Essential Budget Level. The Oregon Pre-Kindergarten program for all eligible children whose families choose to participate is fully funded. The Community College Support Fund is increased to \$483 million, 12.6 percent more than 2005-07. A new approach to providing needs-based financial assistance for post-secondary education, the Shared Responsibility Model, will be implemented in the second year of the biennium with a significant increase in funding.

The Department of Community Colleges and Workforce Development, the Department of Higher Education, and the Oregon Health and Sciences University will cooperate in a Healthcare Workforce Initiative to address the state's shortage of doctors, nurses, and other health professionals. A significant investment is made in Oregon's higher education system to restore core educational capacity, renovate and upgrade existing buildings, and construct new facilities. Community college facility projects are also funded with proceeds of state bond sales.

The Governor's proposal to increase minimum payments under the corporate income tax supports investments in the education program area. These include expansion of the Oregon Pre-Kindergarten Program (\$39 million), implementation of the Shared Responsibility Model (\$35 million), and the Skill Up Oregon workforce program (\$10 million).

Key elements of the 2007-09 Governor's recommended budget are:

- Development of a Pre-K-20 data system is continued as a joint project between the Department of Education, the Department of Community Colleges and Workforce Development, and the Department of Higher Education.

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- The recommended budget for the Department of Education makes significant new investments in technology infrastructure in the classrooms and at the state level.
- The Budget recommends funding is recommended to initiate a mentor-teacher and mentor principal program to improve the quality of instruction and leadership at elementary and secondary schools, and to help keep good teachers and administrators from leaving the profession.
- Legislation and funding are proposed for development of an educators' health insurance pool to reduce school district health care costs, thereby freeing up additional money for classroom instruction.
- The Department of Education budget includes investment in assessment systems to improve teachers' abilities to improve student achievement.
- Two workforce initiatives are included in the recommended budget. The Skill Up Oregon Fund will provide education and training services to transitional workers. The Workforce Readiness Certificate Program offers standardized skills assessments and associated certificates.
- The recommended budget for the Department of Higher Education includes additional funding to support campus operations. Enhancements are provided for the four regional universities and the Bend campus, to increase faculty salaries, to reduce the faculty-student ratio, for projected enrollment increases, and for higher energy costs.
- Average tuition and fee increases at public universities will be limited to the growth in median family income, approximately 3.4 percent per year.
- A total of \$594.5 million in Other Funds is provided for 45 capital construction projects and system-wide capital repair expenses for the Department of Higher Education. Twelve community college capital construction projects are funded at \$174.3 million Other Funds.
- General Fund support for Engineering and Technology Industry Council (ETIC) programs is increased by 75.8 percent. Facilities and equipment enhancements are funded with sale of Certificates of Participation.
- The General Fund budget for the Oregon Health and Science University is increased by 26.6 percent from the 2005-07 Legislatively Approved Budget.
- Increased funding for the School of Medicine funds one-time costs related to the fall 2006 expansion of incoming classes from 112 to 120 students. It also supports establishment of clinical clerkship programs in Eugene and Corvallis for third and fourth year medical students and pre-clinical programs in Eugene, eastern Oregon and southern Oregon for first year students. With the added capacity, the university will increase class sizes to 160 students.
- The budget includes funds to allow OHSU to provide additional educational opportunities for dental students and to increase services to underserved areas of the state.

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- Enhanced funding for the School of Nursing will allow OHSU to implement the Oregon Consortium for Nursing Education curriculum and add 100 new pre-baccalaureate students per year. In addition, Bachelor of Science nursing students will be increased by 50 per year, and master's and doctoral nursing students will be increased by 20 per year. Funds are included to develop a new nursing program at Western Oregon University, following renovation of facilities in which the program will be located.
- Additional funds are provided for the Area Health Education Centers to enhance their capacity to serve rural Oregonians. The funds will establish a statewide coordinator, support the four main regional centers and the new Clackamas mini-center, increase funding for video-conferencing and on-line education, and enhance health services career outreach programs for K-12 students.

Education

DEPARTMENT OF COMMUNITY COLLEGES AND WORKFORCE DEVELOPMENT

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$416,402,144	\$433,731,780	\$508,038,707
Lottery Funds	49,000	0	0
Other Funds	11,789,583	90,688,831	178,621,379
Federal Funds	126,274,221	131,173,928	123,791,748
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	9,321,985	12,000,000	5,968,831
Total Funds	\$563,836,933	\$667,594,539	\$816,420,665
Positions	47	50	65
Full-time Equivalent	45.70	49.70	64.20

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.

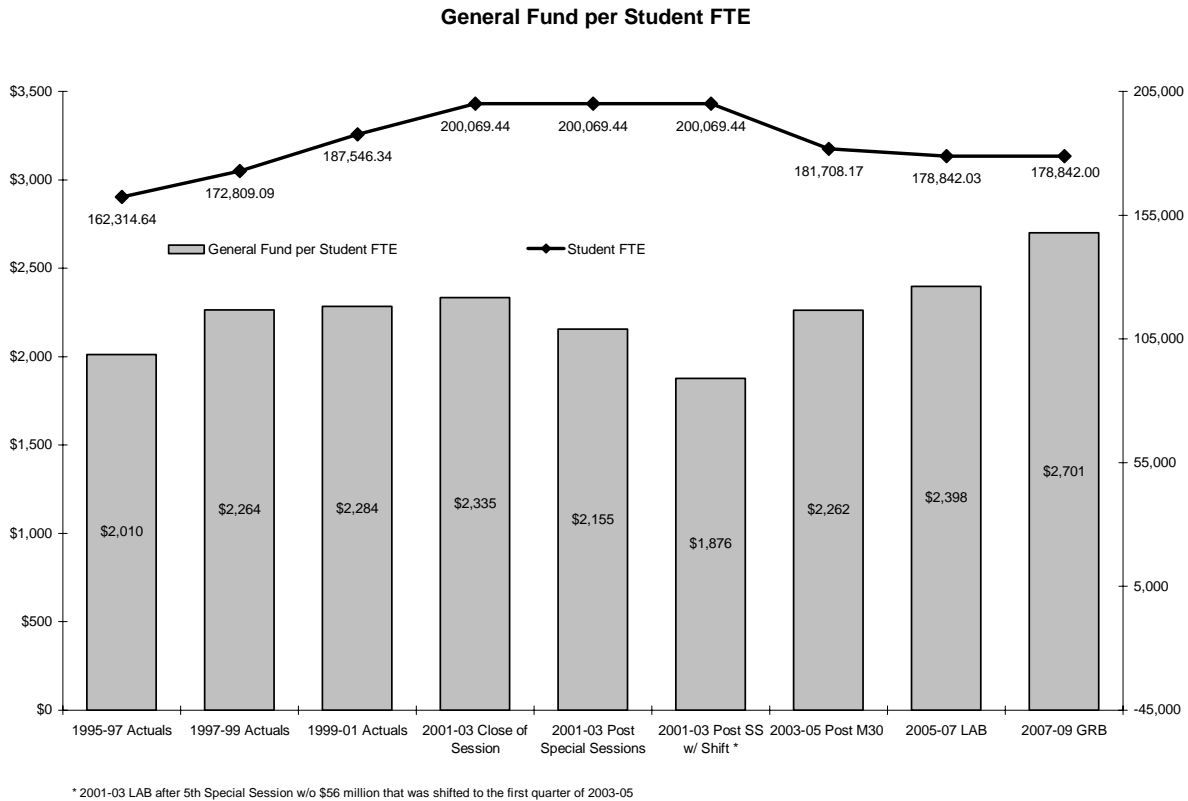
Department programs also include GED tests and program coordination; Adult Basic Education tests; and the Oregon Youth Conservation Corps.

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Recommended Budget

The Governor's recommended budget is \$816.4 million total funds, 22.3 percent more than the 2005-07 Legislatively Approved Budget (LAB). General Fund is \$508 million, 17.1 percent more than the LAB.

The budget includes \$483 million for the Community College Support Fund. This is a 12.6 percent increase from the 2005-07 LAB, reversing a series of reductions that began in the 2002 Special Sessions, as shown in the following chart. At the estimated 2007-09 enrollment of 178,842 full-time students, per-student support is increased to \$2,701, the largest amount since the passage of Ballot Measure 5 (1990). The recommended budget for the Support Fund directs that \$2 million be distributed to enhance support of professional/technical education programs.



Community college capital construction projects are funded at \$174.3 million Other Funds. Twelve projects are recommended for Blue Mountain Community College, Central Oregon Community College, Chemeketa Community College, Clatsop Community College, Clackamas Community College, Columbia Gorge Community College, Lane Community College, Linn-Benton Community College, Oregon Coast Community College, Portland Community College, Treasure Valley Community College, and Umpqua Community College. Fifty percent of 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 will be provided by the colleges.

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The budget includes funding for 50 percent of the cost of establishing “Pathways to Advancement” coordinators at all 17 community colleges; the colleges will provide the remaining 50 percent. The Pathways program allows students pursuing an associate degree to receive certifications at different points in their course of studies that employers will accept as proof of qualification for employment.

Funding is also provided for CCWD’s portion of the Healthcare Workforce Initiative advanced in partnership with the Department of Higher Education and the Oregon Health and Sciences University. The funding will allow the colleges to add new programs, courses, and sections in distance and simulation courses. It will also fund purchase of simulation equipment, expand teacher training opportunities, and enhance distance learning coursework and infrastructure.

Several enhancements support the Governor’s initiative to better align the PreK-20 educational continuum. These include expansion of the Oregon Financial Aid Exchange System (OFAX) to all public colleges and universities in the state. OFAX allows financial aid and enrollment data to be shared electronically among institutions without duplicative manual entry. Funds are also provided for community college coordination with the Department of Education’s Virtual School District project.

Two workforce initiatives are included in the recommended budget. The “Skill Up Oregon Fund” will provide education and training services to transitional workers. The Fund will distribute money to local and regional workforce investment agencies where it will be used for assessment, education, and training to move workers into jobs in high-demand occupations. The recommended General Fund appropriation of \$10 million would be available from the Governor’s proposal to increase minimum payments due under the corporate income tax.

Funding is also provided to establish a Workforce Readiness Certificate Program. Based on a national model, the program offers standardized skills assessments and associated certificates. Funding is provided for administrative costs to develop the program and pay for licensing and testing materials during the start-up period. After that time, individuals and employers will be expected to pay the cost of these materials.

The budget includes funding and positions to enhance agency financial management, research, program management, and performance evaluation functions. It also provides funds for development of a management information system that will integrate CCWD’s existing stand-alone data systems and improve collection of college budget, revenue, and expenditure data.

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. An increase in minimum payments under the corporate income tax would support establishment of the Skill Up Oregon program.

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

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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 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.

Education

DEPARTMENT OF EDUCATION

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$4,703,675,734	\$5,081,985,405	\$5,852,600,672
Lottery Funds	507,799,698	503,769,403	590,557,320
Other Funds	44,697,469	57,116,367	58,463,871
Federal Funds	653,913,539	733,271,172	755,067,301
Other Funds (Nonlimited)	98,086,244	94,756,586	77,701,142
Federal Funds (Nonlimited)	228,129,649	227,855,675	235,556,640
Total Funds	\$6,236,302,333	\$6,698,754,608	\$7,569,946,946
Positions	486	483	494
Full-time Equivalent	445.39	442.89	452.86

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 21st 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 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 \$7.6 billion total funds, or an increase of 13 percent over the 2005-07 Legislatively Approved Budget. This includes a 15.3 percent increase in General Fund and Lottery Funds resources.

The budget includes \$6.06 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 \$754 million, or 14.2 percent, compared to the 2005-07 level. It also includes funds for the continued development of a PreK-20 data system in cooperation with the Department of Community Colleges and Workforce Development and the Department of Higher Education.

The Governor's budget will increase the corporate income tax to fully fund the Oregon Pre-Kindergarten program for all eligible children whose families choose to participate. In addition, it provides significant investments in improving classroom technology integration, school connectivity and virtual school development. Funding for new teacher mentoring programs will improve teacher quality and reduce turnover. Investments in development of the "growth model" for assessing academic achievement and in additional training for teachers in the use of this tool will improve student achievement. Development of an educators' health insurance pool (budgeted in the Department of Administrative Services) will reduce school district health care costs, thereby freeing up additional money for classroom instruction. Finally, targeted programs such as Chess for Success, Civics Education and a partnership to improve community schools throughout the state round out a long list of K-12 school improvements funded in this budget.

- 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 21 percent over the 2005-07 level, for a total of \$111.5 million. This increase includes \$8.4 million for the next phase of a comprehensive data system for PreK-20. The system will create efficiencies as data systems are integrated in school districts and Education Service Districts. 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 funds continuation of the assessment system, as required by the Education Act for the 21st Century, as well as federal requirements under the No Child Left Behind Act. An additional \$1.8 million will support the development of a "growth model" for assessing academic achievement at the student, school and district levels. This new tool, along with a \$1.7 million investment in professional development for teachers and administrators in how to use the assessment data, will enhance their abilities to improve student achievement. The budget also continues the current efforts

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at enhancing online education tools and courses (the Oregon Virtual School District program). Finally, nearly \$500,000 is provided to improve central data systems.

- 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 General Fund budget for these schools is \$22.3 million, or 7.7 percent higher than the 2005-07 Legislatively Approved Budget.

- Lottery Bond Debt Service. The budget includes \$56.4 million of Lottery Funds to pay the 2007-09 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. 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 \$27.9 million total funds.
- 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 \$263.1 million General Fund for Grant-in-Aid programs. This is about 33 percent more than the 2005-07 Legislatively Approved Budget.

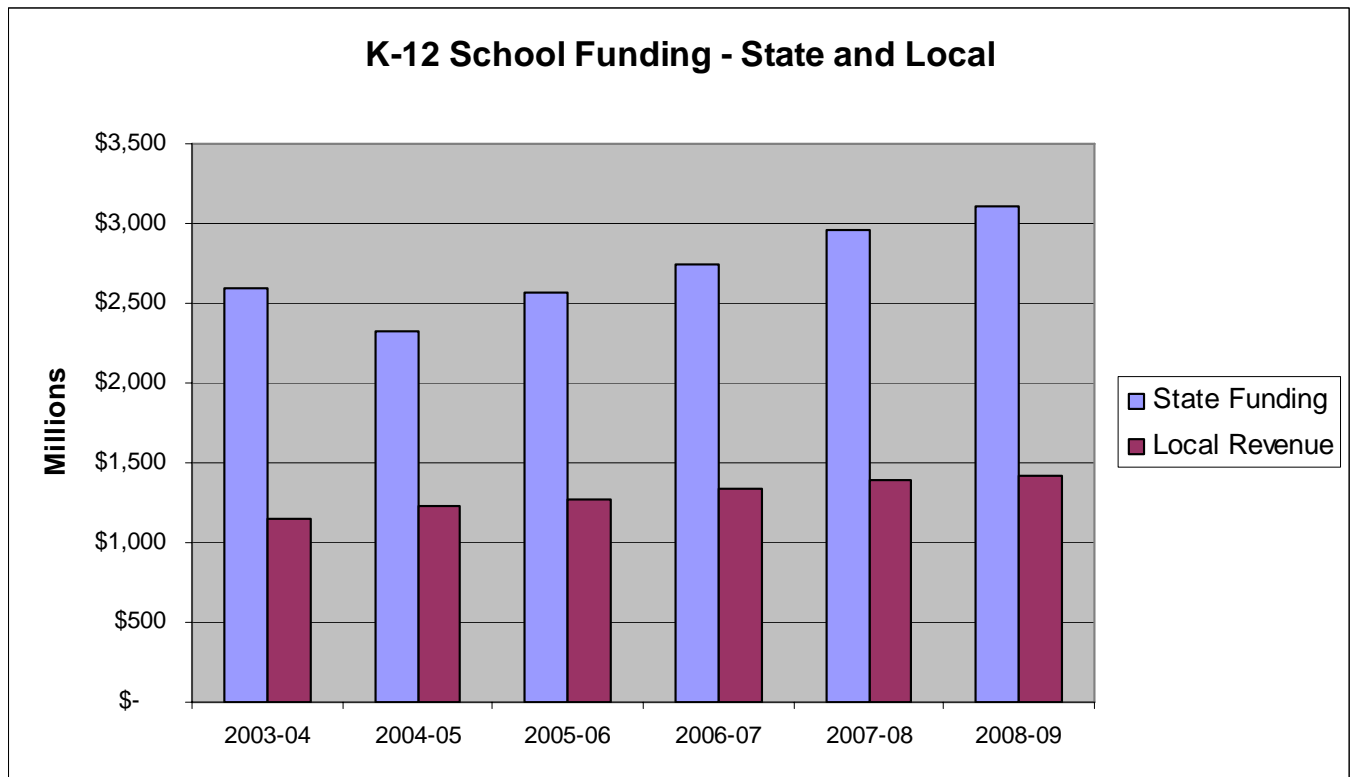
The budget provides \$96.1 million General Fund for the Oregon Pre-Kindergarten program. A new investment of \$39 million, financed by an increase in minimum payment under the corporate income tax, will allow an increase in the number of children served – from the current level of 60 percent of all eligible children to 80 percent of eligible children by the end of the biennium. Eighty percent is considered the service saturation point since some families will choose not to enroll their children.

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The Governor's budget uses \$5 million to initiate a new, high-quality research-based mentor teacher and mentor principal program similar to the one in Santa Cruz, California. This program provides a mentor for every new teacher and principal during the first three years on the job, improving the quality of instruction and leadership, and raising the likelihood that he or she will remain in the profession.

The Early Intervention/Early Childhood Special Education program continues to expand for new eligible children. The Early Intervention program, mandated by federal law, is a state-mandated service to children ages two and under and their families who need help with a variety of learning disabilities. It requires services to children, age three to five, who have developmental and other disabilities. The budget provides \$105.4 million General Fund and \$33.3 million Federal Funds for this program. Almost \$12 million of this is new funding to serve additional children. Funding is continued for educating children with disabilities in regional programs, children with disabilities in hospital programs and children with disabilities in long term care or in treatment programs.

The recommended budget provides an additional \$2.6 million to upgrade the state's investment in computer connectivity services for school districts. New targeted investments include \$500,000 for a partnership with the Commission on Children and Families to implement a community schools initiative, and \$250,000 to support civics education and the Chess for Success program. In addition, the budget continues to invest in student leadership centers, summer food service programs and early literacy through the Start Making a Reader Today (SMART) program.



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- 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 2007-09 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 \$6.06 billion for school funding, including \$400,000 for local option equalization grants. This represents an additional \$754 million, or a 14.2 percent increase in state funding, compared to the 2005-07 level. The total amount includes a base funding level of \$6.0 billion plus an investment fund of an additional \$60 million. This investment, combined with the significant increase in the base, will give schools the resources they need to reduce class sizes and ensure full school years. In addition, it will provide school districts with support for implementing Oregon's new High School diploma requirements.

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.

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

Education

DEPARTMENT OF HIGHER EDUCATION

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$671,431,645	\$706,517,774	\$827,064,220
Lottery Funds	7,507,597	11,417,524	31,490,061
Other Funds	1,329,545,579	1,547,764,898	1,819,710,761
Federal Funds	0	0	0
Other Funds (Nonlimited)	1,806,622,837	2,138,542,161	2,228,003,414
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$3,815,107,658	\$4,404,242,357	\$4,906,268,456
Positions	16,098	15,601	18,019
Full-time Equivalent	12,121.42	12,140.62	12,753.11

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 new Cascades campus in Bend and the three statewide public service programs, the Agricultural Experiment Station, the Extension Service, and the Forest Research Laboratory.

The state's contribution to post-secondary education has declined significantly since the adoption of Ballot Measure 5 (1990). During the 1989-1991 biennium, the Department of Higher Education budget included over 13 percent of total General Fund and Lottery Fund expenditures. In the 2005-07 biennium, the Department budget was six percent of the total. In the Education and General Services program unit, which includes funding for campus and Chancellor's Office operations, state General Fund constituted 35.5 percent of operating budgets in the 2005-07 close of session budget, reduced from 45.6 percent in 1999-01 and 40.2 percent in 2001-03.

The Governor's Education Enterprise funding model is beginning to reverse the decline. The 2007-09 recommended General Fund and Lottery Funds budget is increased from the 2005-07 LAB by 19.6 percent. The Department's share of these expenditures is increased to 6.3 percent of the statewide total and the General Fund share of Education and General Services expenditures holds at 35.5 percent.

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Since the 2001-2002 academic year, average tuition for full-time students at Oregon public universities increased by 38.3 percent; average rates have increased by 52.7 percent since 1999-2000. Comparatively, OUS reports that the three regional universities ranked second, fourth, and ninth highest in tuition charges among 15 comparator schools in the western states in 2006-07. The three large universities ranked sixth, seventh, and eighth highest among 23 western comparator schools during the same period and OIT ranked 3rd highest out of nine schools. In response to the impact of rising tuition rates on access, the Legislature established caps in each of the last two biennia, limiting increases in 2005-07 to 3.25 percent in the first year of the biennium and 3.5 percent in the second year. With the additional funding provided in the Governor's recommended budget, tuition and fee increases are limited to 3.4 percent per year during the 2007-09 biennium.

Recommended Budget

The Governor's recommended budget is \$4.9 billion total funds, an 11.4 percent increase from the 2005-07 Legislatively Approved Budget. The General Fund budget of \$827.1 million is increased by 17.1 percent. The recommended budget includes \$40.7 million General Fund to support campus operations. This amount includes:

- \$9 million for the four regional campuses and the OSU branch campus in Bend.
- \$8 million to increase faculty salaries, which are estimated to average from two to 32 percent below national averages depending on type of institution and faculty rank.
- \$6.9 million to reduce the faculty-student ratio, which currently averages 27 students to one faculty member system-wide.
- \$14.6 million for projected enrollment increases in the 2007-09 biennium.
- \$2.2 million for energy cost increases over the past six years.

At this funding level, tuition and fee increases will be limited to the growth in median family income, approximately 3.4 percent per year.

A total of \$594.5 million Other Funds is provided for 45 capital construction projects and system-wide capital repair expenses. This amount includes six deferred maintenance projects at \$89.5 million, including renovation of Lincoln Hall at PSU, Fenton Hall at UO, Inlow Hall at EOU, and Nash Hall at OSU.

New capital projects include development of a Regional Information Center at EOU, renovation of the Sciences II building at PSU, construction of the Linus Pauling Research and Education Building at OSU, expansion and remodel of the Theatre Arts building at SOU, construction of a second building for the OIT Health Professions Center, construction of an interdisciplinary science and research complex at UO, and construction of new math, science, and computer sciences facility at WOU. Funding for a new university center in Hermiston, a joint project of EOU and Blue Mountain Community College, is included in the budgets for the Department of Higher Education and the Department of Community Colleges and Workforce Development.

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Funding for system-wide capital renewal of education and general services facilities is increased from \$23.6 million total funds to \$83.5 million Other Funds. This amount will allow the Department to remain current with capital repair, code compliance, and safety issues and keep the deferred maintenance backlog from growing.

The budget includes \$25 million Other Funds for renewable energy demonstration projects at most of the campuses. Projects include research into geothermal electrical generation at OIT, bio-fuels, wind power, and wave energy at OSU, and solar power at UO, PSU, and several regional campuses.

The capital budget is funded with \$91.3 million in Article XI-G bonds, \$174.9 million in Lottery Bonds, \$47.6 million in energy loans, \$11 million in Certificates of Participation (COPs), \$127.6 million in Article XI-F (1) bonds, and \$142.2 million in donations, grants, and other revenues. An additional \$19 million in COPs will be sold for operational expenditures for telecommunications, information technology, and engineering.

The General Fund budgets for the Agricultural Experiment Station, Extension Service, and Forest Research Laboratory are increased by \$15.3 million, or 16.2 percent, from the 2005-07 Legislatively Approved Budget. The increase will support new and expanded research, education, and public service efforts at each of the three programs.

The budget includes a \$17 million General Fund enhancement for the Engineering and Technology Industry Council (ETIC) program, bringing total General Fund support for the program to \$39.2 million. An additional \$11.8 million Other Funds for facilities and equipment is funded with sale of Certificates of Participation.

Funding is included in the budgets of the Department of Higher Education, the Department of Community Colleges and Workforce Development, and the Oregon Health and Sciences University to address the statewide shortage of healthcare professionals. The \$7.4 million General Fund included in the Department of Higher Education's budget will increase the number of nursing, sonography, clinical lab technology, and dental hygiene graduates.

Investments in alignment of the PreK-20 educational continuum include \$1.6 million General Fund to increase college attendance in rural areas of the state. EOU will act as the lead institution in establishment of a consortium involving OIT, SOU, and several community colleges. The funds will be used to establish outreach centers throughout rural Oregon and mentor programs in high schools staffed by university counselors. College courses will be offered on high school campuses in traditional, residential, and/or distance learning environments. The program will focus on students in the seventh to the ninth grades, and include outreach to parents regarding admissions, financial aid, and other post-secondary educational processes. An additional \$0.9 million General Fund is dedicated to continue technology projects related to PreK-20 alignment, including the Information Data Transfer and the ATLAS systems linking colleges and universities throughout the state.

Funding for the OSU Natural Resources Institute is increased by \$250,000 General Fund. The Oregon Solutions project at PSU is funded at \$1.5 million General Fund.

Education

The budget shifts \$19.1 million from General Fund to Other Funds in support of a legislative concept to allow the Department to retain interest on cash balances. Currently, interest earned on a variety of funds, including student tuition and fees, is transferred to the General Fund. In addition, General Fund is reduced by \$4.9 million as a result of the nearly three-fold increase in Lottery Funds to be deposited into the Sports Action account. The reduction captures General Fund that has been allocated for the support of intercollegiate athletics.

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, which include all funding that is not on a direct enrollment basis, are designed to address the costs of the system that are not directly related to enrollment levels.

Beginning in July 2007, one percent of Lottery Funds deposited into the Department of Administration Services Economic Development Fund will be transferred to the Sports Action account. These funds are used to finance intercollegiate athletics and graduate student scholarships. Currently, the department receives revenues from specific sports betting games operated by the Lottery. House Bill 3466 (2005) made the change to allow the state to compete for National Collegiate Athletic Association events that are not held in states that allow betting on sporting events. 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, 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 2009-11 biennium.

Education

Article XI-J (State Energy Loan Program) bonds 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.

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.

Education

OREGON STUDENT ASSISTANCE COMMISSION

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$45,126,877	\$76,824,638	\$104,808,822
Lottery Funds	0	1,527,619	9,507,036
Other Funds	11,716,223	3,562,481	6,308,215
Federal Funds	1,480,969	2,103,860	2,104,655
Other Funds (Nonlimited)	40,603,425	9,014,812	10,285,788
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$98,927,494	\$93,033,410	\$133,014,516
Positions	84	23	36
Full-time Equivalent	84.00	22.35	33.83

Overview

The Oregon Student Assistance Commission administers financial aid programs to help Oregon students obtain a postsecondary 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; more than 331 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 2006 *Measuring Up* report gave Oregon its third consecutive F in affordability, defined as whether students and families can afford to pay for higher education given income levels, financial aid, and the types of colleges and universities in the state. Although almost every other state also received an F, and none earned higher than a C-, Oregon is one of the least affordable states in the nation. Oregon received a score of 42 out of 100 on the overall affordability index, ahead of only Rhode Island, Montana, and New Hampshire.

Education

The report estimated that an average family would spend 36 percent of its income to pay expenses at a public four-year institution, and 77 percent at a private four-year school. Only five states require a greater percentage of family income at public four-year schools, and only three require a greater percentage at private four-year institutions. As a result, Oregon undergraduates borrow an average of \$3,558 for each year of school. Compared with data from the early 1990s, Oregon has become less affordable, particularly for low-income families. The report also found that Oregon makes a very low investment in need-based financial aid, compared with top-performing states.

Most of the data used in the *Measuring Up* report are from the 2004 and 2005 academic years. The 2005-07 Legislatively Approved Budget included a 77 percent increase in funding for the Oregon Opportunity Grant, the state's only needs-based financial aid for students attending community colleges and universities. The additional funding allowed the program to expand in the second year of the biennium to all eligible full-time and (for the first time) part-time students. Eligibility remained limited – to those whose family incomes are no more than \$33,100 for a dependent student in a family of four, and \$9,390 for a single independent student. Grants continued to be restricted to 11 percent of the costs of attendance. While the expanded program has had some success -- 24,299 students received grants in 2005-06, approximately 5,000 more than the previous year -- access to post-secondary education remains limited.

Over the past two years, the Access and Affordability Workgroup established by the Board of Higher Education has worked to develop a new model for need-based aid that expands eligibility, addresses the full cost of higher education, and emphasizes the responsibility of parents and students to pay those costs. The new Shared Responsibility Model has the following components:

- Students are assumed to be responsible for approximately half of their total expenses. Community college students should be able to earn this amount by working full-time during the summers and up to 12 hours per week during the school year. University students must supplement their earnings with savings or loans. The loan amounts are expected to be no more than what a borrower can manage on a beginning teacher's salary.
- Family contributions are set at the same amounts expected under federal financial aid programs.
- Federal Pell grants and income tax tuition benefits are included in the calculations.
- The remaining student need would be the state's responsibility.

Under the new model, financial eligibility would be extended to middle income families; projections show that students from families with incomes up to \$60,000 per year would receive grants. It would also replace current "all or nothing" awards with a stair-step model, where grants decrease in amount as income rises. The model projects that the number of awards would more than double and contribute to an increase in post-secondary enrollment.

Education

Recommended Budget

The Governor's recommended budget is \$133 million total funds. This is a 43 percent increase from the 2005-07 Legislatively Approved Budget (LAB). The General Fund budget of \$104.8 million is 36.4 percent above the 2005-07 LAB, due primarily to funding for implementation of the Shared Responsibility Model.

The budget includes \$110 million total funds to implement the Shared Responsibility Model in the second year of the biennium. This funding level includes \$98.4 million General Fund, of which \$35 million would be available from the Governor's proposal to increase minimum payments due under the corporate income tax.

Shared Responsibility Model funding is sufficient to provide average grant amounts of about \$1,800 for approximately 42,000 students in 2008-09. This compares with the average Opportunity Grant award of \$1,207 for 24,299 students in 2005-06. During the first year of the biennium, funds will be distributed under the existing Opportunity Grant parameters. OSAC will work with the colleges and universities to modify procedures and systems to move to the new distribution model. The budget includes funding and positions to support implementation of the model.

The ASPIRE budget is increased by \$1.3 million General Fund, allowing it to expand from 83 schools to 150 by the end of the biennium. ASPIRE provides training and technical assistance to Oregon high schools to implement and sustain a corps of volunteer advisors who help students understand their post-secondary options.

The budget also includes resources to expand the Rural Health Services Loan Repayment program, establish a scholarship program for Jobs Plus participants from unused Individual Education Account funds, transfer the student day care program from the Department of Human Services, continue operation of the Office of Degree Authorization despite declining Other Fund resources, and increase funding for scholarship administration, technology replacement needs, and internal auditing.

Revenue

General Fund is used to support the Opportunity Grant/Shared Responsibility Model, 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 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 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. Federal Funds received from the Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP) programs are included in the Opportunity Grant.

Education

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

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$0	\$0	\$0
Lottery Funds	0	0	0
Other Funds	3,672,701	3,915,455	4,592,868
Federal Funds	0	0	0
Other Funds (Nonlimited)	0	0	0
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$3,672,701	\$3,915,455	\$4,592,868
Positions	21	22	24
Full-time Equivalent	20.00	21.50	23.00

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 \$4,592,868 Other Funds, which is a 17.3 percent increase over the 2005-07 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.

Education

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 2007-09 ending cash balance of \$906,334, or about five months of average operating expenses. The Commission is not proposing any fee increases in the 2007-09 biennium.

Education
