

**2017-19**

**BUDGET HIGHLIGHTS**



**Legislative Fiscal Office**  
**September 2017**



**State of Oregon  
Legislative Fiscal Office**

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September 18, 2017

To the Members of the Seventy-Ninth Oregon Legislative Assembly:

Following is the *2017-19 Budget Highlights*, which provides summary information on the legislatively adopted budget; legislative actions affecting the budget; program areas and agencies; state bonding and capital construction; budget notes; information technology; fiscal impact statements; and substantive bills with a budget effect. A detailed analysis will also be published.

We hope you find this resource useful and invite you to call the Legislative Fiscal Office if you have any questions.

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## Table of Contents

Summary of the 2017-19 Legislatively Adopted Budget .....	1
Summary of Legislative Actions Affecting the Budget.....	32
Cost Containment .....	32
Assumptions.....	33
State Employees.....	34
Agency Organizational Changes.....	36
Prioritization Process for Agency Programs .....	37
Performance Measurement and Management.....	37
Oregon Reserve Funds .....	38
Major Revenue Bills .....	40
Other Revenue Sources .....	41
Fees and Fee Changes.....	44
Program Area Summaries .....	49
Education .....	49
Human Services.....	57
Public Safety and Judicial Branch.....	65
Economic and Community Development.....	73
Consumer and Business Services .....	78
Natural Resources.....	83
Transportation .....	91
Administration .....	93
Legislative Branch .....	98
Emergency Fund .....	99
State Bonding and Capital Construction.....	100
Budget Notes .....	103
Information Technology.....	116
Fiscal Impact Statements .....	120
Substantive Bills Enacted into Law with a Budget Effect.....	123
Appendix A: Capital Construction Projects.....	A-1
Appendix B: State Paid Bonds.....	B-1
Appendix C: Number of Positions and Full-Time Equivalency.....	C-1
Appendix D: Program Area Budget Totals .....	D-1
Appendix E: Summary of Expenditures .....	E-1



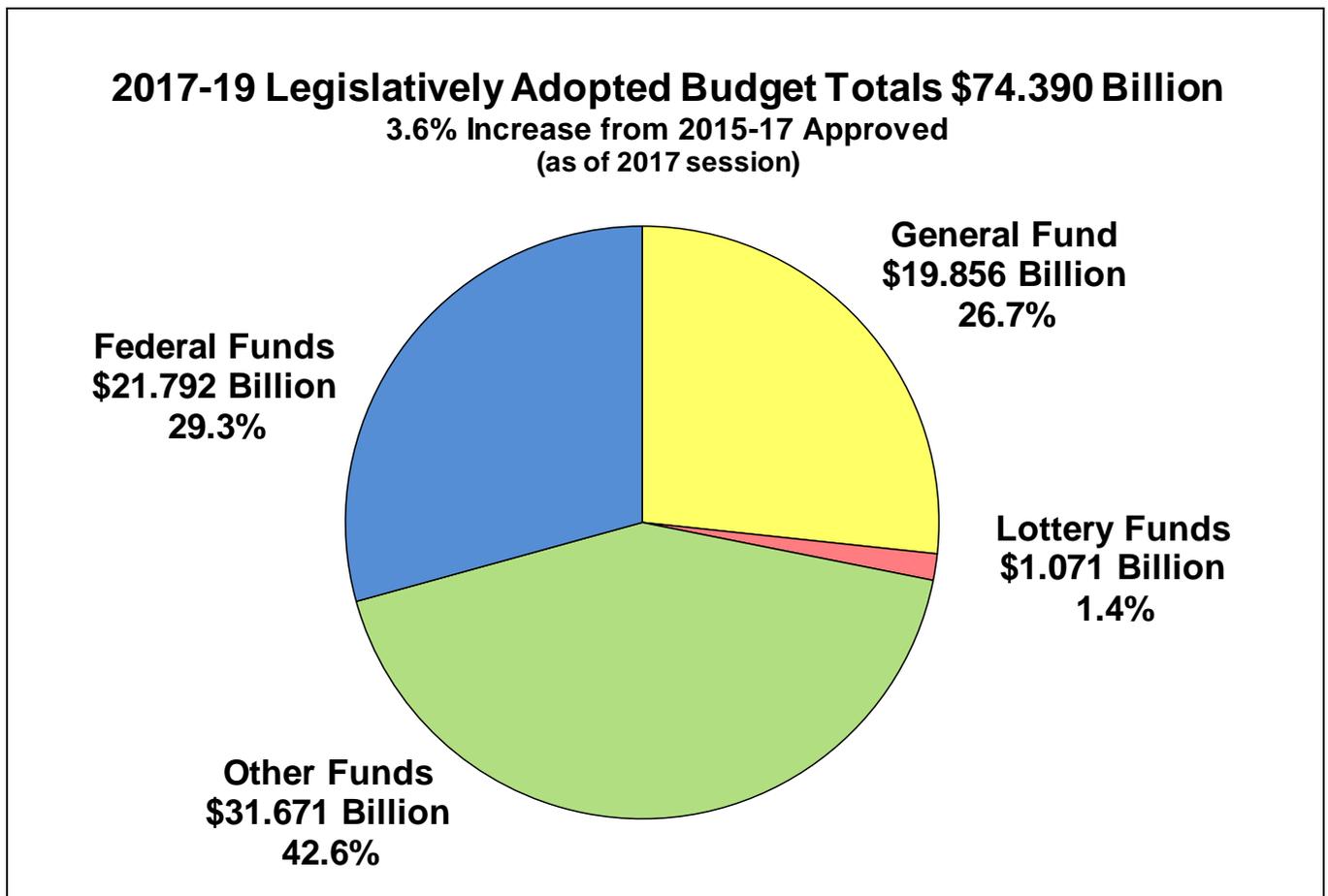
## Summary of the 2017-19 Legislatively Adopted Budget

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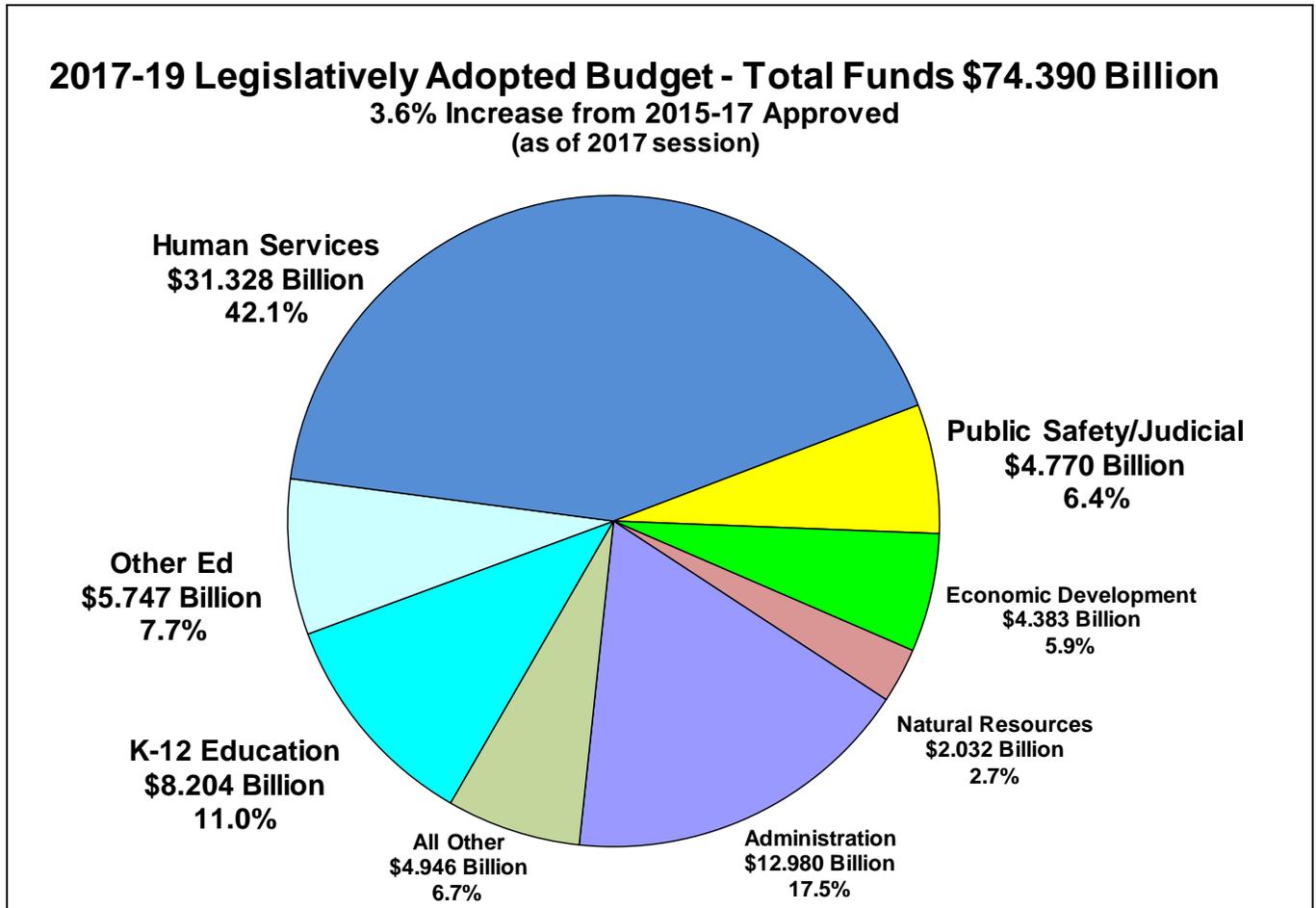
### Overview

The legislatively adopted budget (LAB) for the 2017-19 biennium is \$74.390 billion total funds, an increase of \$2.569 billion from the 2015-17 legislatively approved budget of \$71.821 billion, or a gain of 3.6%. The increase between the two biennia is, in part, due to the authorization to spend \$1.844 billion more in General Fund in the 2017-19 biennium than was spent in 2015-17. This 10.2% increase in General Fund expenditures continues a recent trend of biennial double-digit percentage increases.

The LAB includes \$20.927 billion in combined General Fund and Lottery Funds, \$31.671 billion Other Funds, and \$21.792 billion Federal Funds. With the exception of 2011-13, when the total funds budget was actually lower than in the previous biennium, the total funds budget percentage increase for the 2017-19 biennium is the lowest since the 1987-89 biennium. The low growth was due to an overall reduction in Federal Funds and the relatively low growth in Other Funds. It should be pointed out that the eventual 2017-19 approved budget will likely increase from the adopted level, barring any serious economic downturn, since additional Other Funds expenditure limitation and receipt of federal funding will cause the budget to increase over the course of the biennium.



A constitutional amendment adopted by the people in November 2010 changed the historical Oregon biennial session process into annual sessions. The odd-numbered year session is limited to 160 calendar days and allows for an organizational session where action on bills is prohibited. The even-year session is limited to 45 calendar days. In each case, the Legislature, by a two-thirds vote, can extend the session by five calendar days. For the 2017 regular session, the Legislature organized January 9<sup>th</sup> through January 11<sup>th</sup>, began session activities on February 1<sup>st</sup>, and completed business on July 7<sup>th</sup>, within the constitutionally required timeframes.



To implement the budget decisions made during the 2015 regular session, besides individual agency budget bills, the Joint Committee on Ways and Means moved the following bills that determined the final pieces of the 2017-19 adopted budget:

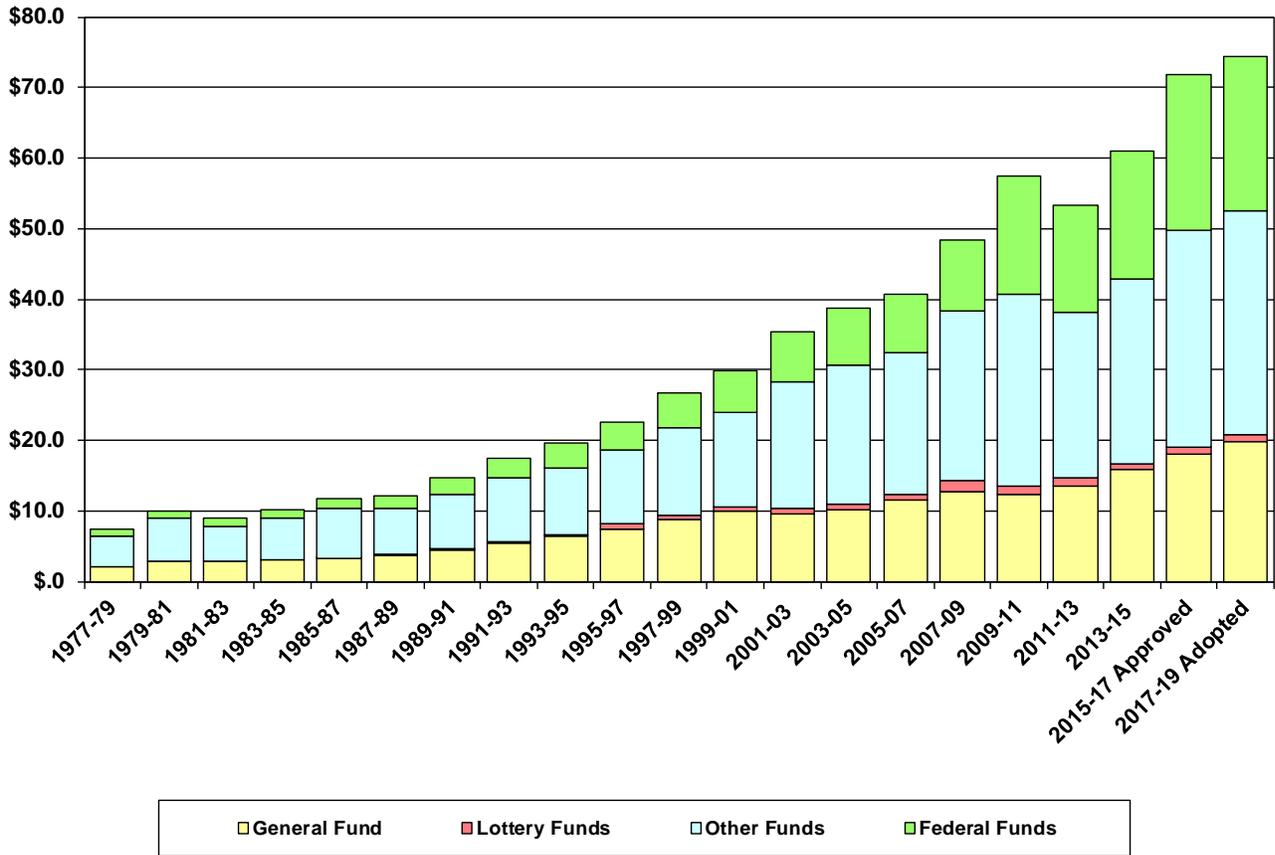
- HB 5006 – Emergency Fund and omnibus budget reconciliation
- HB 3470 – non-appropriation program changes to implement budget decisions
- SB 5505 – bonding authorization
- SB 5506 – capital construction
- SB 5529 – lottery and Criminal Fine Account allocations
- SB 5530 – lottery bonding authorization
- SB 5539 – Tobacco Settlement Funds Account

Details of the content of these bills are described later in this document.

With respect to the overall development of the 2017-19 LAB, highlights of the 2017 session budget process were:

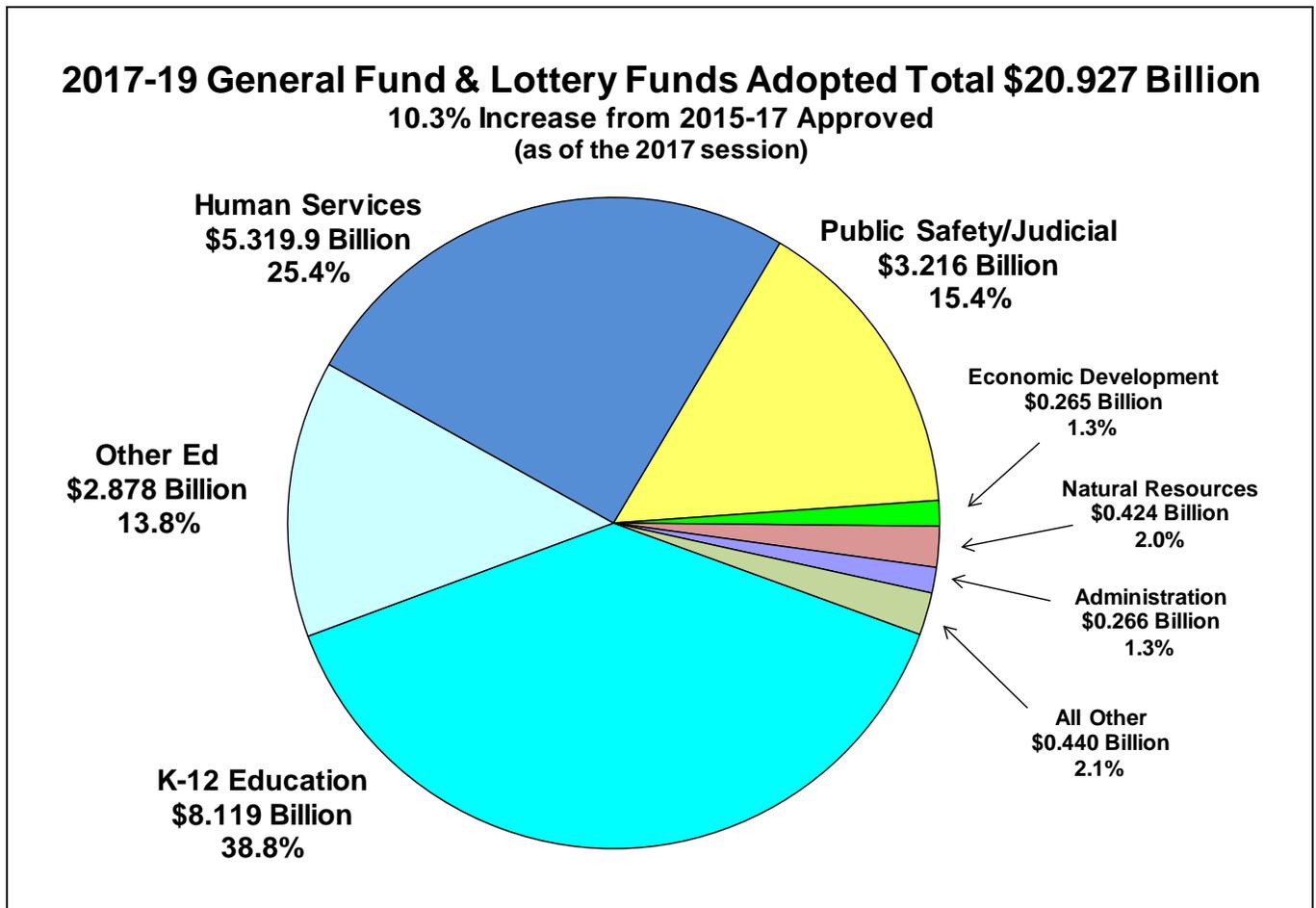
- An organizational session was held in January followed by the convening of the odd-numbered year regular session on February 1<sup>st</sup>.
- The release of a Joint Committee on Ways and Means Co-Chair budget framework on January 19<sup>th</sup> that included agreed upon expenditure targets by program area to open budget discussions.
- Planning and executing a budget rebalance for the 2015-17 biennium by the end of February.
- A series of community hearings on the budget were held by the Joint Committee on Ways and Means earlier in the session than in previous years. The hearings, which occurred between February 10<sup>th</sup> and March 16<sup>th</sup>, were held in Salem, Portland, Hermiston, Madras, Ashland, Eugene, Tillamook, and video linkages to Coos Bay and Ontario. During these community budget hearings, the Committee received verbal testimony from approximately 480 residents on a variety of budget-related topics.
- SB 1067 was passed instituting several cost containment measures to prevent and reduce future growth in state government costs. Some elements of the measure, including review of long-term vacancies and assumptions regarding inflation and state government hiring practices, were instituted as part of the 2017-19 budget development process and helped to balance the budget.
- In addition to the 90 budget bills heard and passed by the Joint Committee on Ways and Means (and its seven subcommittees), the Committee also had 326 policy bills referred to it, of which 146 received at least a public hearing and 137 were passed out of the Committee to either the Senate or House floor for further action, and 132 were ultimately passed by the Legislature (with two of those not becoming law because of Governor vetoes). The processing of budget decisions and the development of budget documentation that enabled the Legislature to complete its business by the constitutional deadlines. Legislation passed to establish the annual session process allows for 160 calendar days for the odd-numbered year session, which would have forced *sine die* by July 10<sup>th</sup>. The session ended on July 7<sup>th</sup>.

### Oregon Budget History -- All Funds (Billions \$)



## General Fund and Lottery Expenditures

Combined General Fund and Lottery Funds expenditures for the 2017-19 biennium, as a result of 2017 legislative session actions, total \$20.927 billion, up \$1.958 billion (or 10.3%) from the legislatively approved budget for the 2015-17 biennium. General Fund appropriations increased by \$1.844 billion (or 10.2%) in the adopted budget over the 2015-17 approved level, while the net Lottery Funds expenditure limitation increased by \$113.9 million (or 11.9%).



The Co-Chairs of the Joint Committee on Ways and Means released an Existing Resources Budget Framework early in the session (January 19<sup>th</sup>), to set initial targets to balance the General Fund/Lottery Funds budget to the forecast of anticipated resources for the 2017-19 biennium. The framework provided a summary of General Fund and Lottery Funds to be spent in each program area. This approach was intended to help spread and identify areas for reductions in agency costs sufficient to balance to a \$1.8 billion shortfall that was forecasted, at that time, between available resources and the continuation of current programs and services. In addition, it was designed to allow discussions about priorities to occur earlier in the session; to increase the amount of time available to receive input, conduct research, and analyze information on major issues; and to provide direction and context for agency budget hearings. Until recent sessions, the Co-Chairs' initial budget document was not released until after receipt of the March economic and revenue forecast, significantly later in the session and after many agency budgets have already been through the public hearing process.

For the 2017-19 biennium, the Co-Chairs, in their Existing Resources Budget Framework, set an initial General Fund and Lottery Funds budget of \$20.4 billion, with a \$200 million planned ending balance. The revenue assumption of \$20.6 billion General Fund and Lottery Funds used to build the Budget Framework was from the December 2016 economic and revenue forecast. Projected resources for 2017-19 increased by \$190 million in the March 2017 economic and revenue forecast. Final budget adjustments for the 2017-19 biennium budget were made after the release of the May 2017 economic and revenue forecast. This forecast showed General Fund increases for both the 2015-17 biennium and the 2017-19 biennium. The change for the 2015-17 biennium was sufficient to result in an anticipated “kicker.” The net change was an additional \$420 million in available General Fund resources for the 2015-17 budget as compared to the March 2015 forecast. The forecast for the 2017-19 biennium was increased by \$180 million.

Planning for the 2017-19 budget started in the spring of 2016 with the development of an official estimated tentative budget for the coming biennium. Under statute, that estimate is made jointly by the Department of Administrative Services and the Legislative Fiscal Office. This tentative budget calculation is only provided to give decision makers a point-in-time estimate of the state’s relative fiscal position for the coming two-year budget period. It is based on the projected revenues for the next two budget years and the “current service level” budget, or the amount needed to continue all currently approved programs, services, and revenue sources for the next two budget years.

The initial tentative budget showed a budget gap of about \$1.4 billion. After the November 2016 election, the gap was recalculated to be \$1.8 billion due to a decrease in the state’s revenues in the December 2016 forecast (down by \$50 million) and the passage of three ballot measures that required the expenditure of state funds but that did not raise any additional revenue (\$357 million). It was at this point that the Co-Chairs released the initial Existing Resources Budget Framework for the 2017-19 biennium. Following that release, the March 2017 forecast projected an increase of \$190 million in revenue, causing the “gap” between forecasted resources and the cost to continue current programs and services to decline to \$1.6 billion.

In April 2017, the Co-Chairs released Target Reduction Lists to provide each of the Joint Committee on Ways and Means subcommittees a starting point for determining final budget decisions by program area. For the Target Reduction Lists, the Co-Chairs directed the subcommittees to review prioritized program lists and reduction options to come up with plans to achieve each subcommittee target.

Final budget decisions for the coming biennium are generally made after the release of the May forecast of the odd-numbered year. In this cycle, the May 2017 forecast again increased resources for the 2017-19 biennium by about \$180 million.

While the total funds adopted budget is \$1.9 billion more than the 2017-19 current service level calculation, the adopted General Fund and Lottery Funds budget is \$786.6 million below the calculated 2017-19 current service level budget, a decrease of 3.6%, reflecting an increase in Other Funds and Federal Funds. General Fund and Lottery Funds comparisons by program area can be found in the following table.

<b>General Fund and Lottery Funds Total</b>						
<b>(\$ millions)</b>						
<b>Program Area</b>	<b>2013-15 Actual</b>	<b>2015-17 Legislatively Approved</b>	<b>2017-19 Current Service Level</b>	<b>2017-19 Legislatively Adopted</b>	<b>% Change 2017-19 Adopted from 2015-17 Approved</b>	<b>% Change 2017-19 Adopted from 2017-19 CSL</b>
<b>State School Fund</b>	6,650.0	7,373.0	8,012.6	8,118.6	10.1	1.3
<b>Education - Post Secondary</b>	1,473.9	1,855.6	1,975.3	2,050.6	10.5	3.8
<b>Education - Other</b>	513.1	595.1	650.2	827.0	39.0	27.2
<b>Human Services - OHA</b>	1,944.0	2,169.7	3,203.1	2,198.4	1.3	(31.4)
<b>Human Services - DHS</b>	2,326.3	2,727.2	3,275.1	3,109.0	14.0	(5.1)
<b>Human Services - Other</b>	6.3	12.7	13.6	12.5	(1.7)	(8.0)
<b>Public Safety</b>	2,128.5	2,388.7	2,570.9	2,472.2	3.5	(3.8)
<b>Judicial Branch</b>	650.5	724.8	764.4	743.3	2.6	(2.8)
<b>Economic Development</b>	159.5	185.7	219.3	265.1	42.8	20.9
<b>Natural Resources</b>	394.1	424.2	414.2	423.5	(0.2)	2.2
<b>Transportation</b>	105.4	129.5	174.9	138.1	6.6	(21.1)
<b>Consumer/Business Services</b>	11.3	14.7	13.7	13.1	(10.9)	(4.0)
<b>Administration</b>	213.7	263.5	278.5	266.3	1.0	(4.4)
<b>Legislative Branch</b>	83.7	104.3	111.6	110.3	5.8	(1.2)
<b>Emergency Fund</b>	0.0	0.0	36.0	178.8	NA	396.7
<b>TOTAL</b>	<b>16,660.1</b>	<b>18,968.8</b>	<b>21,713.4</b>	<b>20,926.8</b>	<b>10.3</b>	<b>(3.6)</b>

The final legislatively adopted budget is summarized in the following table. It is broken into three sections – resources, expenditures, and ending balance. An explanation of each of these sections follows the table.

2017-19 Legislatively Adopted Budget				
	General Fund	Lottery Discretionary	Lottery Dedicated	TOTAL
<b>May 2017 Forecast Revenues (millions)</b>				
<b>Revenues</b>				
Beginning Balance	723.9	49.0	35.8	808.7
1% Appropriation to Rainy Day Fund	(180.1)	-	-	(180.1)
Adjustments				
<i>Projected TANS interest costs for 2015-17</i>	(21.5)	-	-	(21.5)
Projected Revenues	19,416.8	1,040.6	205.6	20,663.0
<i>Shared Services Fund (Gain Share)</i>	(33.0)	-	-	(33.0)
<i>Corporate Income Tax Transfer to RDF</i>	(42.5)	-	-	(42.5)
<i>Lottery Interest Earnings (Forecast)</i>	-	2.0	-	2.0
<i>ESF Interest Earnings</i>	-	22.5	-	22.5
<i>Lottery Funds Reversions</i>	-	4.0	-	4.0
<i>Agency Lottery Funds Account Balances</i>	-	3.4	-	3.4
Distributions: Education Stability Fund/Counties				
<i>Education Stability Fund</i>	-	(224.3)	-	(224.3)
<i>County Economic Development</i>	-	(41.3)	-	(41.3)
<b>Revenue enhancements/(reductions):</b>				
<i>OLCC Budget LRO Revenue Impact (HB 5019)</i>	9.2	-	-	9.2
<i>DOJ Protection and Education Account (HB 3470)</i>	46.0	-	-	46.0
<i>DAS Risk Fund Reappropriation (HB 3470)</i>	33.3	-	-	33.3
<i>ODOE Alternative Fuel Fund Reappropriation (HB 3470)</i>	3.0	-	-	3.0
<i>DAS Operating Fund Transfer (HB 3470)</i>	18.5	-	-	18.5
<i>DAS OSCIO Operating Fund Transfer (HB 3470)</i>	10.5	-	-	10.5
<i>OSL Miscellaneous Receipts Account Reappropriation (HB 3470)</i>	0.0	-	-	0.0
<i>SB 254 - DOR Data Match for Financial Institutions (LRO)</i>	1.7	-	-	1.7
<i>SB 251 - Lottery Withholding Prize Money (LRO)</i>	2.4	-	-	2.4
<i>SB 28 - Market Based C-Corp Apportionment (LRO)</i>	5.5	-	-	5.5
<i>HB 2409 - Traffic Citations (CFA) (LRO)</i>	8.3	-	-	8.3
<i>HB 2244 - Greenlight Rebate Film/Video (LRO)</i>	(5.0)	-	-	(5.0)
<i>HB 2391 - Provider Tax (LRO)</i>	(2.0)	-	-	(2.0)
<i>SB 754 - Tobacco Under 21 (LRO)</i>	(0.4)	-	-	(0.4)
<i>HB 2066 - Tax Credits (LRO)</i>	1.0	-	-	1.0
<i>Lottery Commission Administrative Actions</i>	-	20.0	-	20.0
<i>CFA (GF) above Forecast</i>	1.5	-	-	1.5
<b>2015-17 Rebalance Issues</b>				
<i>HB 5044 (DOC and ODF)</i>	(6.0)	-	-	(6.0)
<i>SB 5543 (OHA and DHS Rebalance Savings)</i>	63.0	-	-	63.0
<b>Total Resources</b>	<b>20,054.1</b>	<b>875.8</b>	<b>241.4</b>	<b>21,171.4</b>
<b>2017-19 Program Area Expenditures</b>				
Education - State School Fund	7,653.9	464.8	-	8,118.6
Education - Post-Secondary	1,954.1	96.6	-	2,050.6
Education - Other	826.3	0.7	-	827.0
Human Services - Oregon Health Authority	2,185.9	12.5	-	2,198.4
Human Services - Dept. of Human Services	3,109.0	-	-	3,109.0
Human Services - Other	12.5	-	-	12.5
Public Safety	2,464.1	-	8.1	2,472.2
Judicial Branch	743.3	-	-	743.3
Economic & Community Development	117.9	132.0	15.2	265.1
Natural Resources	221.0	10.9	191.6	423.5
Transportation	23.5	114.6	-	138.1
Consumer & Business Services	13.1	-	-	13.1
Administration	242.4	23.8	-	266.3
Legislative Branch	110.3	-	-	110.3
Emergency Board	178.8	-	-	178.8
<b>Total 2017-19 Budgeted Expenditures</b>	<b>19,856.1</b>	<b>855.7</b>	<b>214.9</b>	<b>20,926.8</b>
<b>Projected Ending Balance</b>	<b>198.0</b>	<b>20.1</b>	<b>26.5</b>	<b>244.6</b>

## Resources

- Resources are based on the May 2017 forecast, but are adjusted to account for beginning balances and agency-specific interest earnings that are ultimately included in the budget.
- The General Fund resources from the forecast are adjusted by the estimated amount of interest costs for the use of Tax Anticipation Notes by the Treasury.
- Lottery Funds are reduced by projected distributions for county economic development and transfers to the Education Stability Fund, which are not part of the adopted budget.
- Additional resources approved by the Legislature during the session are identified.
- The amounts of additional tax credits beyond current law as approved by the Legislature are included.
- Actual final resources will be presented in the close-of-session forecast in September.
- Resources also include various expenditures for the 2015-17 biennium that result in a reduction of the projected beginning balance for the 2017-19 budget.

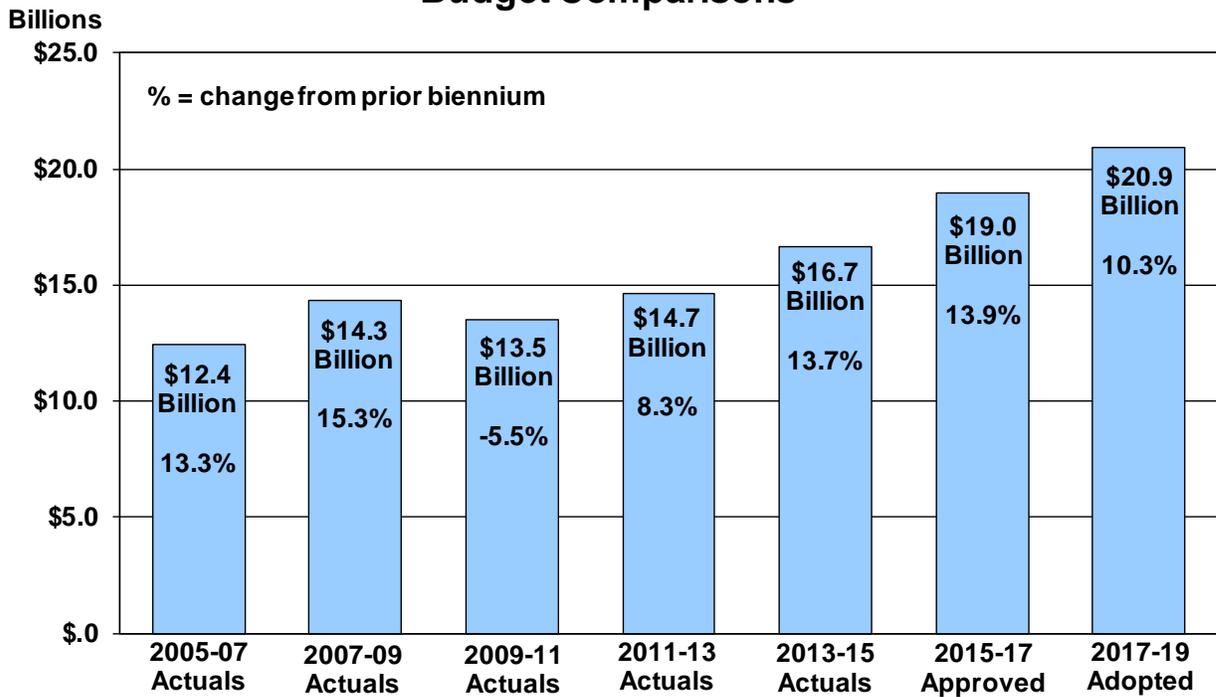
## Expenditures

Expenditures are identified as approved by budget actions taken by the Legislature during the 2017 regular session for the 2017-19 biennium, both from agency budget bills and appropriations included in various policy bills. Expenditures also reflect the effects of the Governor's post-session vetoes.

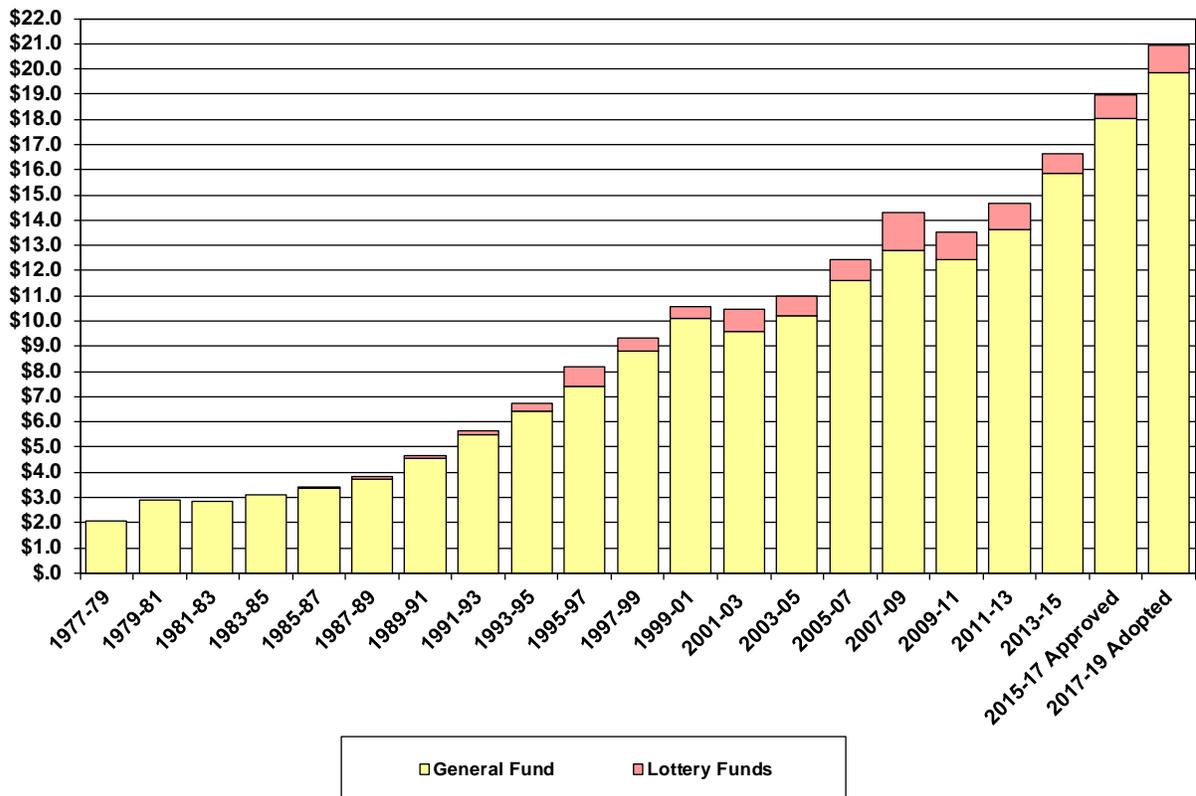
## Ending Balance

- Ending balances include \$198 million General Fund and \$46.6 million Lottery Funds (including both discretionary and dedicated Lottery Funds); the Lottery Funds ending balance is for salary and benefit adjustments, to protect against allocation reductions in case of future lottery revenue declines, and for other dedicated purposes.
- The General Fund ending balance was targeted to provide the projected Rainy Day Fund deposit of 1% of projected expenditures; this deposit will occur at the end of the 2017-19 biennium if a sufficiently large ending balance exists at that time to complete the transfer; under the current projection the entire ending balance would be transferred.
- The General Fund adopted ending balance is the smallest in total dollar terms since the 2007-09 biennium and the smallest in percentage terms since the 2005-07 biennium.
- Not included in the General Fund ending balance is a larger than usual Emergency Fund which was adopted for general purposes at \$50 million rather than the recent norm of \$30 million.
- Projected ending balances are not static and change throughout the biennium with revenue forecast changes; with the September 2017 revenue forecast, the projected ending balance for the biennium is now \$235.5 million.

## General Fund and Lottery Expenditures Budget Comparisons



## Oregon Budget History -- General Fund and Lottery Funds (Billions \$)



## Lottery Resources and Lottery Expenditures

### Lottery Resources

Lottery game earnings are forecast to grow 1% over the 2015-17 biennium level. The broader measure of total Lottery resources, however, which includes the beginning balance and reversions, is forecast to total \$1.332 billion in the 2017-19 biennium, a \$66.6 million (or 5.3%) increase over the 2015-17 biennium level. This will represent the second increase in biennial lottery resources following three biennia of declines. After a period of rapid growth earlier in the decade, lottery resources declined by 22.4% during the 2009-11 biennium, followed by smaller declines in the 2011-13 and 2015-17 biennia (0.4% and 1.7%, respectively). Even with the growth projected for this biennium, 2017-19 resources will still be 5% below the 2007-09 biennium peak. Although the Office of Economic Analysis anticipates that lottery resources will continue to grow going forward, it is not forecasting a return to the rapid growth rates that occurred when video lottery games were added. Total biennial lottery resources are not forecast to exceed the 2007-09 biennium peak level until the 2021-23 biennium.

<b>Difference between 2015-17 and 2017-19 Lottery Resources</b>				
<b>(\$ in millions)</b>				
	<b>2013-15</b>	<b>2015-17</b>	<b>2017-19</b>	<b>Difference</b>
	<b>Actuals</b>	<b>Legislatively Approved</b>	<b>Legislatively Adopted</b>	<b>2015-17 to 2017-19</b>
Lottery Game Earnings	\$1,061.1	\$1,234.4	\$1,246.2	\$11.7
Beginning Balance & Reversions	3.5	27.9	53.1	25.1
Administrative Actions	0.0	0.9	30.7	29.8
Interest Earnings	1.4	2.0	2.0	0.0
<b>Total Lottery Resources</b>	<b>\$1,066.0</b>	<b>\$1,265.3</b>	<b>\$1,331.9</b>	<b>\$66.6</b>

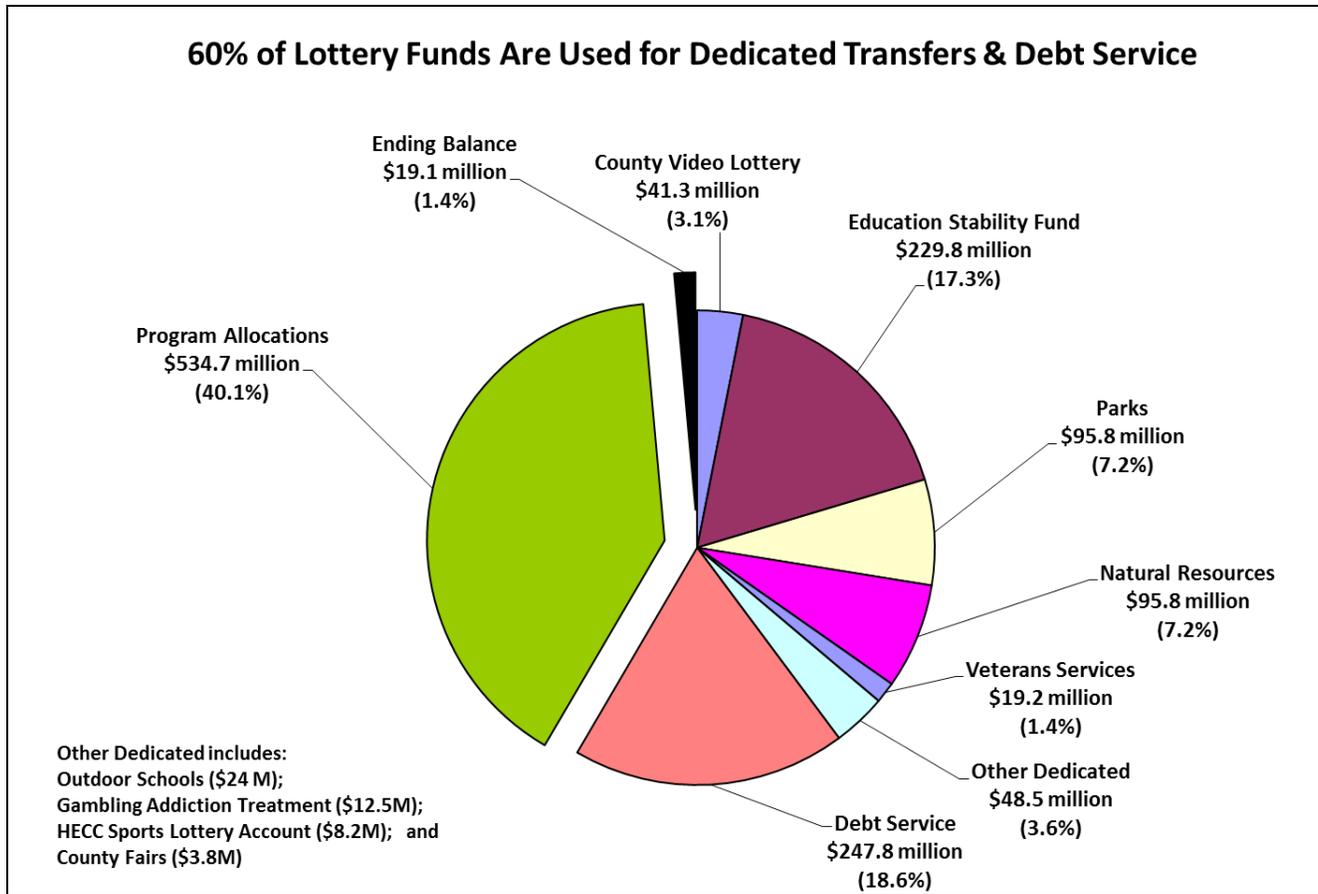
During the 2015 session, the Legislature anticipated \$1.16 billion of total lottery resources, and adopted a budget that authorized \$1.14 billion of these resources for transfer and allocation, retaining an ending balance of \$16 million in the Administrative Services Economic Development Fund (EDF). Actual 2015-17 biennium lottery resources, however, came in approximately \$109.4 million above the level projected during the 2015 session. After the constitutionally-established distributions to the Education Stability Fund and the Parks and Natural Resources Fund, and the EDF allocation adjustments made during the 2016 session, a 2015-17 biennium EDF ending balance of approximately \$49 million remained, which was available for the 2017-19 biennium budget. Furthermore, the State Lottery will transfer an additional \$30.7 million to the EDF in 2017-19 through administrative actions.

### Lottery Expenditures

Total lottery resources are used for four general purposes in the budget: Dedicated Transfers, Debt Service payments, Program Allocations, and the Ending Balance. EDF ending balances (including the \$49 million ending balance for 2015-17) are carried forward and become a resource for the next biennium's budget. Beginning in the 2015-17 biennium, Lottery Funds allocations that are unspent and uncommitted at the end of the prior biennium revert to the EDF and become available for re-allocation. During the 2017-19 biennium, \$4 million of prior-biennium Lottery Funds allocations to the

Oregon Business Development Department and the Office of the Governor, that were unspent and uncommitted at the close of the 2015-17 biennium, are forecast to revert to the EDF.

The following chart shows the allocation of lottery resources to dedicated transfers, debt service, program allocations, and the ending balance in the 2017-19 legislatively adopted budget.



Dedicated Transfers

Certain portions of total lottery resources are dedicated to specific uses by either the state Constitution or by statute. The Legislature, therefore, cannot use these funds for other purposes within the regular budget process. The statutory dedications, however, can be modified by legislation.

There are three constitutionally dedicated transfers and five statutorily dedicated transfers. These dedicated transfers are projected to total \$530.3 million (or 39.8% of total lottery resources) during the 2017-19 biennium, a 12.8% increase over the prior biennium level. The constitutionally dedicated transfers include:

- Education Stability Fund – In 1996, voters dedicated 15% of total net lottery proceeds and administrative action transfers to the Education Endowment Fund. In 2002, in another vote, this fund was renamed the Education Stability Fund (ESF), and the percentage of proceeds transferred to the ESF was increased to 18%. The Constitution limits the balance of the ESF to an amount equal to no more than 5% of General Fund revenues in the prior biennium.

When the ESF balance reaches this limit, transfers into the Fund are suspended. During this suspension, a temporary transfer equal to 15% of net lottery proceeds and administrative actions is transferred to the School Capital Matching Fund to be used to match designated school district capital expenditures. The ESF balance has never exceeded 5% of prior biennium General Fund revenues to date. Dedicated transfers to the ESF are projected to total \$229.8 million in the 2017-19 biennium (up 3.4% from the \$222.4 million transferred in 2015-17).

Of the amount deposited in the ESF, 10% goes into the Oregon Growth Account, which is a subaccount within the ESF. These deposits, which are allocated to illiquid investments, become unavailable for other budget purposes until earnings are declared on the invested funds. After accounting for the Oregon Growth Account deposit, \$206.9 million of Lottery Funds will be transferred to the ESF in the 2017-19 biennium and be available, if needed, for expenditure.

The Lottery Funds transferred to the ESF cannot be spent unless approved by a 3/5 vote in both houses of the Legislature. Certain conditions must be met, however, before such a vote can even take place, which include:

- The state experiences non-farm payroll employment declines extending for two or more consecutive quarters;
- the projected General Fund declines exceed levels established in the Constitution; or
- the Governor declares an emergency to exist.

The conditions allowing expenditure of ESF funds on approval of 3/5 votes without the need for a gubernatorial declaration of emergency were met during the 2009, 2010, and 2011 legislative sessions. During these three sessions, the Legislature approved transferring most of the ESF balance to the State School Fund. During the 2009 session, the Legislature transferred the 2007-09 ESF ending balance of \$393.8 million to the State School Fund to rebalance the 2007-09 biennium budget. During the 2010 and 2011 sessions, a total of \$180.7 million was transferred from the ESF to the State School Fund to rebalance the 2009-11 biennium budget, and a total of \$182.2 million was transferred to the State School Fund in 2011-13. The conditions allowing ESF expenditures without a gubernatorial declaration of emergency have not existed since the 2013 session, and no transfers to the State School Fund have been made during this period. As a result, deposits into the Fund will be retained, and the 2017-19 biennium ESF ending balance is forecast to equal \$590.6 million, a 54% increase over the 2015-17 ESF ending balance.

The investment earnings of the ESF, unlike the Fund's corpus, are distributed for expenditures on a regular basis. Investment earnings are distributed as follows: 75% to finance debt service costs on bonds that the Legislature approved for schools in the 1997 and 1999 sessions, and 25% for need-based college scholarships awarded through the Oregon Opportunity Grant program. The Legislature changed the distribution in 2015 to allow any funds dedicated to debt service, but not needed for that purpose, to be redirected to Opportunity Grants instead. As a result, \$21.8 million of earnings that are not needed for debt service will be available for Opportunity Grants in the 2017-19 biennium.

Funds available for these distributions had declined when ESF moneys were transferred to the State School Fund, and interest rates fell. During the 2015-17 biennium, earnings distributions for debt service and Opportunity Grants totaled only \$738,000 and \$246,000, respectively. Earnings

are increasing again, however, as the ESF balance is rebuilt. Earnings distributions are in addition to the total lottery resources figures noted previously.

- Parks and Natural Resources Fund – The second constitutionally-mandated transfer requires 15% of total lottery net lottery proceeds and administrative actions be dedicated to parks and natural resources. This dedication was established when voters approved Ballot Measure 66 in 1998, and extended and modified the dedication with the approval of Ballot Measure 76 in 2010. A total of \$191.5 million is forecast to be available for parks and natural resources in the 2017-19 biennium from this dedicated transfer, an increase of 3.4% over the prior biennium. An additional \$35.8 million is carried forward from prior biennium distributions. The 2017-19 legislatively adopted budget includes \$199.7 million of expenditures using Ballot Measure 76 lottery funds.
- Veterans’ Services Fund – The third constitutionally-mandated transfer requires 1.5% of total net lottery proceeds and administrative actions be dedicated to services for the benefit of veterans. This dedication was established when voters approved Ballot Measure 96 in 2016. A total of \$19.2 million is forecast to be available for veterans’ services in the 2017-19 biennium from this dedicated transfer. The 2017-19 legislatively adopted budget allocates \$16.4 million from the Veterans’ Services Fund to the Department of Veterans’ Affairs and Housing and Community Services Department (HCSD), retaining a \$2.8 million ending balance as a reserve against revenue fluctuations and future program needs. Expenditures of Ballot Measure 96 Lottery Funds in the budget total \$15.2 million, which is \$1.15 million below the allocated amount. The budget only authorizes expenditure of \$350,000 from the \$1.5 million allocated to HCSD, with the expectation that HCSD will present a proposal during the 2018 legislative session for the use of the remaining allocation.

The 2017 Legislature approved temporary, one-biennium changes to all five of the statutorily-dedicated transfers in the 2017-19 biennium budget. The statutory transfer amounts and their modifications for the 2017-19 biennium are:

- 4% of total lottery transfers, but not more than \$5.5 million per quarter adjusted for inflation, is distributed to the Outdoor School Education Fund. The Fund supports the Outdoor School program and is managed by the Oregon State University Extension Service. The Legislature, however, established a fixed allocation of \$24 million for the 2017-19 biennium, in lieu of the formula distribution.
- 1% of total lottery transfers is dedicated to gambling addiction treatment programs operated by the Oregon Health Authority. In lieu of that formula-determined amount, however, the Legislature fixed the 2017-19 biennium allocation at the 1% of resources figure, and approved a fixed allocation of \$12,457,116. This amount will not vary with the level of lottery revenues. The allocation is a 9.8% increase over the prior biennium level.
- 1% of total lottery transfers is dedicated to the public universities for athletic programs and graduate student scholarships. The Legislature reduced the 2017-19 biennium dedication for this distribution to a fixed amount of \$8,240,000. The allocation is equal to the prior biennium level.
- 2.5% of video lottery earnings (not of total lottery resources) is dedicated to counties for economic development programs. The distribution of 2.5% of video lottery earnings to counties is the state’s primary shared revenue supporting local economic development programs. In lieu of this transfer, the Legislature established a fixed allocation amount of \$41,285,992 for the 2017-19 biennium. This amount represents the forecasted level of the transfer at the full 2.5% rate, with a subtraction to

finance one-half of the allocation made to the Governor's Office to support Regional Solutions positions. The allocation to counties is a 5.6% increase over the prior biennium level.

- 1% of total lottery transfers, not to exceed \$1.53 million annually, is dedicated to the County Fair Account for distribution to counties. The maximum amount is adjusted each biennium pursuant to changes in the Consumer Price Index. The Legislature instead, however, established a fixed allocation of \$3,828,000 for the 2017-19 biennium, a 0.9% reduction from the prior biennium level.

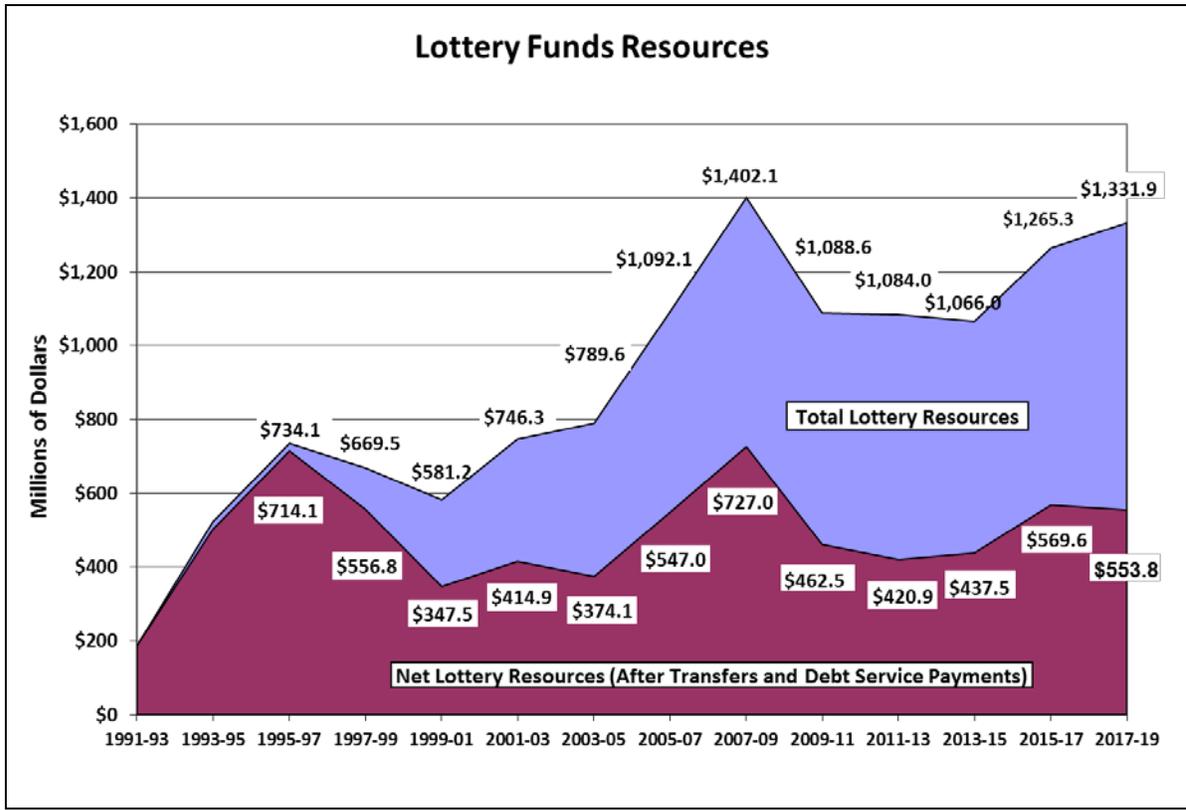
### Debt Service

The second categorical use of lottery resources in the budget is to finance debt service costs associated with lottery revenue bonds. The state has issued lottery revenue bonds for a wide number of programs and projects that support public education or economic development. The state's lottery bond program includes covenants with bondholders guaranteeing that these obligations will be given priority over other uses. For example, the state guarantees that it will not reduce debt service payments on lottery bonds when resources are insufficient to finance all Lottery Funds-financed expenditures in the budget. In such circumstances, the state allocates the full amount of any necessary expenditure reductions to the ending balance and to dedicated transfers or program allocations instead.

The legislatively adopted budget allocates \$247.8 million for debt service costs on outstanding lottery revenue bonds. This amount is equal to 18.6% of total lottery resources, and is a 9.9% increase over the amount allocated for debt service in the prior biennium. Although the budget also supports issuing \$199.9 million of new lottery revenue bonds in the 2017-19 biennium, these bonds will not be issued until spring 2019, and, as a result, there are no debt service costs due on the new bonds in the 2017-19 biennium. Debt service on the new bonds is projected to total \$32.4 million in 2019-21, when debt service payments will first become due.

The debt service allocation in the 2017-19 biennium budget supports debt service costs for lottery revenue bonds issued for the Department of Transportation (\$114.4 million), the Oregon Business Development Department (\$46.8 million), public universities and community colleges (\$43.5 million), the Department of Administrative Services (\$16.3 million), the Housing and Community Services Department (\$16 million), the Water Resources Department (\$3.9 million), the Department of Energy (\$3 million), the Department of Forestry (\$2.6 million), and the State Parks and Recreation Department (\$1.3 million).

In the 2007-09 biennium, debt service payments were equal to 11.5% of total lottery resources. In the 2017-19 biennium, debt service payments equal 18.6% of total lottery resources, which is up slightly from the 17.8% level in 2015-17. A general bond covenant incorporated in the state's lottery revenue bonds requires the state to restrict debt service costs to no more than 25% of total lottery resources. The State Debt Policy Advisory Commission calculates the capacity for the state to issue additional lottery revenue bonds on this basis.



#### Net Lottery Resources after Dedicated Transfers and Debt Service

Dedicated transfers and debt service payments have priority claims to lottery resources in statute and in the state Constitution. The resources remaining net of these purposes represent the funds available for two other uses: to be spent as program allocations to support education or economic development programs *in lieu* of General Fund, or to be saved in an ending balance. The amount of net resources available for these purposes is projected to total \$553.8 million in the 2017-19 biennium. This is equal to a \$15.8 million (or 2.8%) decrease from the prior biennium level. The decrease is entirely due to the establishment of two new dedicated transfers in the 2017-19 biennium budget, for the Veterans' Services Fund and for Outdoor Schools. Absent these new dedications, net lottery resources would have increased by \$27.4 million over the prior biennium level.

The \$534.7 million of approved program allocations is a 2.7% increase over the prior biennium level. The allocations are as follows:

- \$464.8 million to the State School Fund.
- \$66.2 million to the Oregon Business Development Department for program and operating costs.
- \$3.7 million to the Office of the Governor for Regional Solutions positions.

A total of \$19.1 million remains unallocated from the Economic Development Fund and will be retained in the 2017-19 biennium ESF ending balance. The table on the following page compares 2015-17 and 2017-19 Lottery Funds resources and allocations.

## LOTTERY FUNDS CASH FLOW SUMMARY

	2015-17 Legislatively Approved Budget <sup>1</sup>	2017-19 Legislatively Adopted Budget <sup>2</sup>
<b>ECONOMIC DEVELOPMENT FUND</b>		
<b>RESOURCES</b>		
Beginning Balance <span style="float: right;">3</span>	\$20,499,857	\$49,016,803
Lottery Funds Reversions under ORS 461.559	7,424,627	\$4,034,893
<b>REVENUES</b>		
Transfers from Lottery		
Net Proceeds	\$1,234,432,294	\$1,246,173,324
Administrative Actions	918,307	30,700,000
Other Revenues		
Interest Earnings	2,000,000	2,000,000
Other		
Total Revenue	1,244,775,228	1,282,908,217
<b>TOTAL RESOURCES</b>	<b>1,265,275,085</b>	<b>1,331,925,020</b>
<b>DISTRIBUTIONS / ALLOCATIONS</b>		
Distribution of Video Revenues to Counties	(39,083,827)	(\$41,285,992)
Distribution to Education Stability Fund	(222,363,108)	(\$229,837,198)
Distribution to Parks and Natural Resources Fund	(185,302,590)	(\$191,530,999)
Distribution for Outdoor School Fund	0	(24,000,000)
Distribution for Veterans' Services Fund	0	(\$19,153,100)
Distribution for Sports Programs	(8,240,000)	(8,240,000)
Distribution for Gambling Addiction	(11,348,753)	(12,457,116)
Distribution for County Fairs	(3,864,000)	(3,828,000)
Allocation to State School Fund	(447,703,907)	(464,758,594)
Debt Service Allocations	(225,477,038)	(247,787,311)
Other Agency Allocations	(72,875,060)	(69,903,317)
<b>TOTAL DISTRIBUTIONS / ALLOCATIONS</b>	<b>(1,216,258,283)</b>	<b>(1,312,781,627)</b>
<b>ENDING BALANCE</b>	<b>\$49,016,803</b>	<b>\$19,143,393</b>
<b>EDUCATION STABILITY FUND</b> (not including OGA or ORTDF)		
<b>RESOURCES</b>		
Beginning Balance	\$179,379,997	\$383,759,105
Revenues		
Transfer from the Economic Development Fund <span style="float: right;">4</span>	\$204,379,108	\$206,853,478
Interest Earnings	\$5,327,115	\$22,455,743
Total Revenue	209,706,223	229,309,221
<b>TOTAL RESOURCES</b>	<b>389,086,220</b>	<b>613,068,326</b>
<b>DISTRIBUTIONS</b>		
Oregon Opportunity Grant Program	(\$5,327,115)	(21,808,752)
Debt Service Allocations to Department of Education	0	(646,991)
<b>TOTAL DISTRIBUTIONS</b>	<b>(5,327,115)</b>	<b>(22,455,743)</b>
<b>ENDING BALANCE</b>	<b>\$383,759,105</b>	<b>\$590,612,583</b>

1. The 2015-17 Legislatively Approved Budget is based on the May 2017 forecast of 2015-17 resources.

2. The 2017-19 Legislatively Adopted Budget is based on the May 2017 forecast of 2017-19 resources with the adjustments shown for lottery reversions and administrative actions.

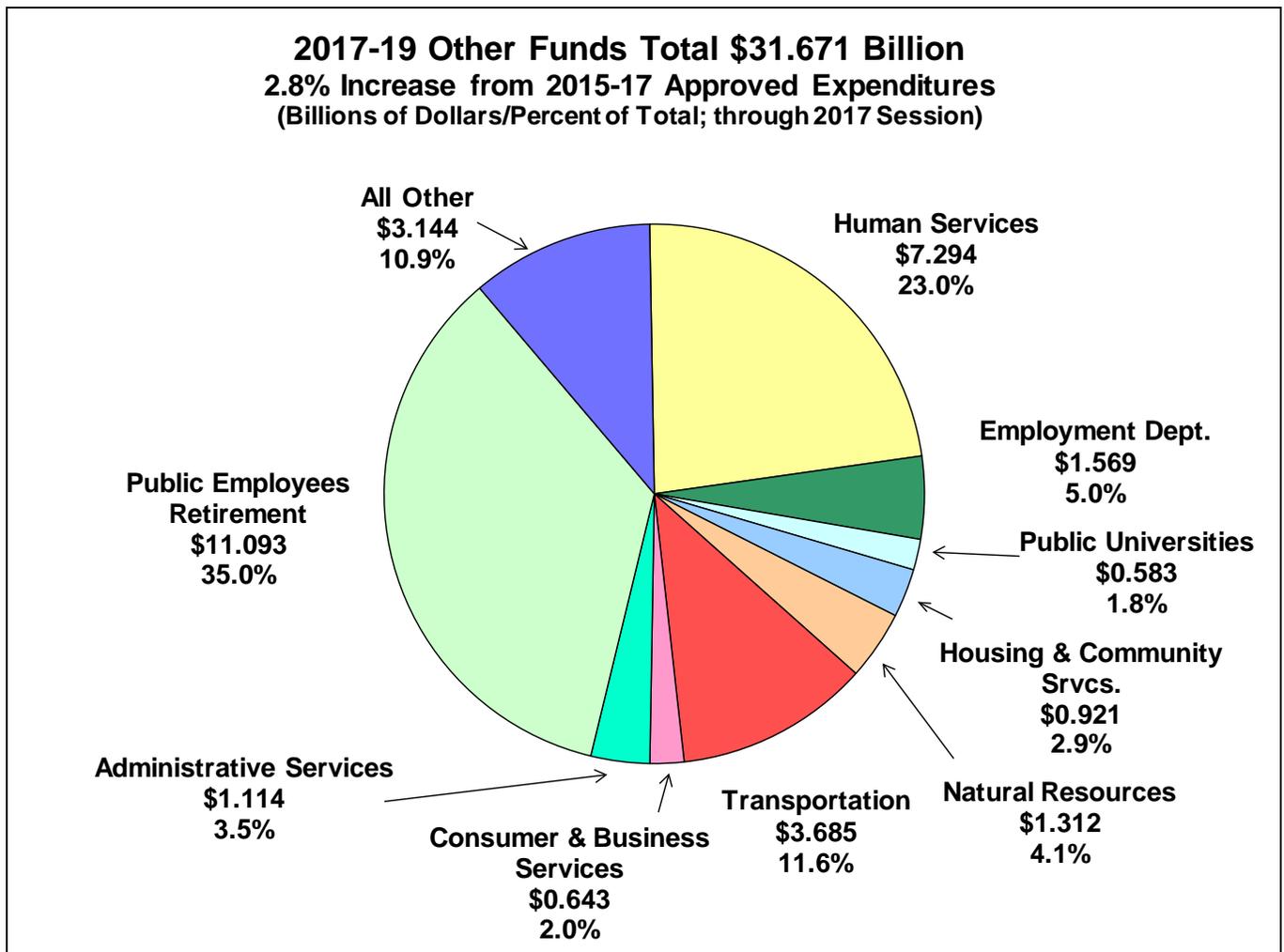
3. 2017-19 beginning balance is equal to 2015-17 ending balance.

4. Only includes transfers to the main Education Stability Fund account, and not the 10% transferred to the Oregon Growth Account.

## Other Funds Expenditures

The 2017-19 legislatively adopted budget provides for the expenditure of \$31.7 billion in Other Funds resources. Other Funds are revenues received by a state agency other than General Fund, Lottery Funds, or Federal Funds that are restricted to defined purposes. Examples include revenue from licenses and fees; charges for service; fines, rents, and royalties; interest earnings; bond sale proceeds; sales income; donations and contributions; loan repayments; and certain funds received from the federal government.

Other Funds comprise three categories of expenditures: Limited, Nonlimited, and Non-Adds. Limited Other Funds represent agency resources, excluding General Fund and Federal Funds, which are subject to a limitation on how much the agency may spend (referred to as “expenditure limitation”). Nonlimited Other Funds are more difficult to precisely estimate, and must be paid by law, such as trust fund payments. Consequently, no expenditure limitation is placed on agencies when Nonlimited expenditures are authorized. An example of a Nonlimited expenditure is unemployment insurance benefit payments, the level of which is dependent on external factors such as state and national economic conditions. NonAdds reflect funds that are spent twice within the state’s accounting system. An example is assessments charged against one agency for services provided by a second agency.



The 2017-19 legislatively adopted Other Funds budget represents an increase of \$0.9 billion (or 2.9%) from the 2015-17 legislatively approved budget. Significant changes in Other Funds expenditure limitation include the following:

### Education

The *State School Fund* has generally been financed with a combination of General Fund and Lottery Funds. With changes made in the 2017 session, 40% of the revenue generated from Marijuana taxes, or just under \$81 million, is dedicated to the SSF.

The major increases for the *Department of Education* Other Funds expenditure limitation include:

- Implementation of Ballot Measure 98 and the resulting \$170 million in Other Funds grants to school districts and other entities.
- Continuation of the school facilities matching program through the sale of Article XI-P general obligation bonds (\$100 million).
- Deferred maintenance projects at the Oregon School for the Deaf financed with \$4.3 million of general obligation XI-Q bonds, and almost \$1.1 million in issuance costs for these bonds.
- \$39.3 million increase for the school facilities matching program which represents grants funded with XI-P bonds sold during 2015-17 but not yet paid to school districts.

The significant Other Funds expenditure limitation increases for the *Higher Education Coordinating Commission* are represented by bonding related actions. These include:

- \$300.8 million in various capital construction projects at the seven public universities funded with Article XI-G, XI-Q bonds and XI-F bonds.
- \$101.4 million in capital construction projects at 14 of the 17 community colleges funded with Article XI-G bonds.
- \$8.7 million in issuance costs for the sale of these bonds.

### Human Services

Other Funds of \$7.3 billion in the 2017-19 legislatively adopted budget for the Human Services program area represent an increase of \$341.4 million (or 4.9%) from the 2015-17 legislatively approved budget. This increase is primarily due to Other Funds increases in the Oregon Health Authority, particularly the increase in provider assessments contained in HB 2391. Without this revenue package to augment General Fund used as state match for Medicaid programs, there would have been a significant funding gap.

- The Department of Human Services budget includes the current long-term care facility assessment, which was renewed through June 30, 2020 by HB 2216 (2013). For 2017-19, the assessment is expected to raise \$127 million in Other Funds revenues and result in federal matching revenues of \$222 million.
- One-time revenue of \$45 million in proceeds from Article XI-Q bonds to support the ONE Integrated Eligibility and Medicaid Eligibility project is also part of the DHS budget.
- The largest change in Other Funds in OHA is a result of a new package of provider assessments. HB 2391 revises the structure of the hospital assessment program, increasing the assessment rate paid by diagnostic related group (DRG) hospitals; establishing an assessment for Type A and Type B rural hospitals, which are not currently part of the assessment program; exempting the Oregon Health

and Science University (OHSU) from the assessment program; and creating a new insurer premium tax. As an alternative to the hospital assessment, OHSU and OHA will establish a separate intergovernmental transfer funding program collapsing several Medicaid payments into the new program. In 2017-19, these changes are expected to generate \$599 million in additional Other Funds revenue to support the Oregon Health Plan, which in turn generates \$1.8 billion in federal funding. This brings the total Oregon Health Plan funding from provider assessments and the new OHSU program to \$1.25 billion in the 2017-19 biennium.

- A referendum petition has been filed with the Secretary of State on a portion of HB 2391. If enough signatures are gathered, the referendum will be decided by voters at a special election on January 23, 2018. If voters fail to pass the new assessments, the budget for the Oregon Health Plan would be short by \$333 million state funds. The amount of federal funding lost would depend on how the shortfall is implemented.
- The final phase-out of the federal Designated State Health Program in OHA results in an Other Funds decrease of \$136 million.
- Other Funds increased by almost \$51 million as a result of the first distribution of recreational marijuana revenues, as well as \$63 million from a one-time increase in Tobacco Master Settlement Agreement revenues.
- The final phase-out of the Oregon Transitional Reinsurance Pool program results in a reduction of Other Funds revenues of \$104 million. This program was adopted in 2013 as a temporary measure to help stabilize individual market premiums during the transition to the ACA. It covered exceptionally high cost claims through December 2016.
- Other Funds in the Public Employees' Benefit Board (PEBB) and the Oregon Educators Benefit Board (OEBB) total almost \$3.6 billion, an increase of \$125 million from 2015-17.
- The \$130 million of Other Funds Nonlimited expenditures related to the refinancing of bonds in the 2015-17 budget is eliminated from the OHA 2017-19 budget.

### Public Safety and Judicial Branch

The *Criminal Justice Commission* Other Funds expenditures are reduced by 40.6% from 2015-17 due to the phase out of \$370,000 of one-time funds from the Vera Institute of Justice for technical assistance with the Justice Reinvestment program.

The *Department of Corrections* has several significant changes in its Other Funds budget:

- \$39.5 million in Article XI-Q bond proceeds for deferred maintenance projects and to upgrade and install technology infrastructure that will support a voice-over-internet-protocol (VoIP) telephone system.
- Other Funds expenditure limitation was established for \$0.7 million in cost of bond issuance.
- The agency's budget request assumed the loss of \$7.2 million of revenue from its inmate telephone system provider, which had supported education, alcohol and drug treatment programs, and recreational programming in prisons through the Inmate Welfare Fund. The legislatively adopted budget restored \$1.5 million of that revenue on a one-time basis, to support the ramp-down of education and treatment programs funded through the Inmate Welfare Fund.
- SB 844 added \$0.5 million of one-time Other Funds expenditure limitation to upgrade the DOC's inmate trust accounting and commissary point of sale system. Two accounting and payroll positions were added with \$0.3 million of Other Funds revenue from procurement card rebates.

- Other Funds expenditure limitation was reduced by \$0.9 million by adjusting the agency's mandated caseload assumption downward for the 2017-19 biennium.

Other Funds expenditures for the *Department of Justice* total \$321.3 million and is \$12 million (or 3.9%) higher than the 2015-17 legislatively approved budget. Major changes include:

- \$18.6 million phase-out of for Phase-II of the Child Support Division's information technology project and an increase of \$16.6 million for Phase III of the project.
- \$6.9 million for enhanced juvenile dependency workload.
- \$5.1 million for the replacement of NonLimited expenditure authority.
- \$5.1 million for a one-time fund shift of General Fund to punitive damage awards.
- \$4.1 million for information technology projects.
- \$1.6 million for additional legal services to state agencies.
- A \$470,683 reduction due to elimination of vacant positions.

Other Funds expenditure limitation for the *Judicial Department* was increased by \$31.5 million (or 29%) over the prior biennium level. This increase primarily reflects the impact of Article XI-Q bonds approved for courthouse capital construction projects, along with the carryforward of limitation for courthouse projects approved in the prior biennium. Focusing on the new project authorizations, the 2017-19 biennium budget includes:

- \$185.2 million Other Funds for construction of the new Multnomah County Courthouse, including \$92.6 million of bond proceeds and an equal amount of county matching funds. The bond support brings the total provided for the project over a three-biennium period to \$125 million. This is anticipated to be sufficient to complete construction of the facility.
- An additional \$8.9 million of bond proceeds was provided to the Judicial Department for state-owned equipment and furnishings in the Multnomah County Courthouse.
- \$10 million Other Funds for planning and development of the Lane County Courthouse replacement project, including \$5 million of bond proceeds and an equal amount of county matching funds. The bond support brings the total provided over a two-biennium period for the project to \$6.4 million. Completing the project could require approximately \$45 million of additional Article XI-Q bond proceeds.
- \$6 million of Article XI-Q bond proceeds for a renovation and seismic retrofit of the Supreme Court Building. Preliminary estimates project a need for an additional \$27 million of bond proceeds, next biennium, to complete the project.
- \$1.2 million of Other Funds expenditure limitation was added to the Judicial Department budget for the costs of issuing the bonds identified above. These costs will be financed from bond proceeds.

Other Funds expenditure limitation in the amount of \$10.7 million was also added to the Judicial Department budget for eCourt system support staff, and system maintenance and vendor charges for electronic processing. The expenditures are financed from existing State Court Technology Fund revenues, criminal fine increases, court filing fee increases that the Department will retain in the State Court Technology Fund, and increased eCourt user fees.

The *Public Defense Services Commission* Other Funds expenditures were increased by \$700,000, to allow additional expenditure of revenues from the Application/Contribution Program for the contracted public defense costs. The increase uses accumulated fund balances and may not be sustainable in future biennia.

In the *Department of Public Safety Standards and Training*:

- Two limited duration positions developing and implementing the Center for Policing Excellence are continued in 2017-19 with a \$730,000 Edward J. Byrne Memorial grant through the Criminal Justice Commission.
- A \$200,000 grant of Emergency Communications Fund dollars from the Military Department will support two additional Telecommunicators training courses in 2017-19.
- Two basic police training classes are reduced, eliminating four positions and \$1.4 million in Criminal Fines Account funding.
- HB 2355 provides DPSST with \$431,330 Other Funds expenditure limitation for two full-time positions (1.84 FTE) to develop and provide training procedures and begin preliminary work on an educational program to reduce profiling during traffic and pedestrian stops.

Other Funds expenditure limitation is increased in the *Military Department* by:

- \$11.8 million in Article XI-Q bond proceeds for seismic structural upgrades and other facility enhancements at armories in Coos Bay, Newport, and Salem; and for a service life extension project at the Grants Pass armory.
- \$0.7 million for the cost of bond issuance.
- \$1.7 million of one-time Other Funds expenditure limitation from the Military Department Construction Account (ORS 396.525) is for the acquisition of two pieces of property for future readiness sites, one each in Deschutes County and Washington County.
- \$0.7 million for the Youth Challenge Program.
- The Department budget did include a revenue reduction of \$0.5 million Other Funds from reduced armory rental income following the discovery of lead contamination in and around indoor firing ranges at twelve of the Department's 38 armories.

The Other Funds budget for the *Department of State Police* increased by 24% over the 2015-17 legislatively approved budget, due in large part to a fund shift of \$28.2 million from General Fund to marijuana tax revenues. Additionally:

- \$2.5 million Other Funds expenditure limitation and seven positions (7.00 FTE) are added to the Capitol Mall Security Unit for increased trooper presence in the State Capitol. A revenue transfer from the Legislative Administration Committee supports this increase.
- \$0.5 million and two positions (2.00 FTE) are added to the Oregon State University patrol office with increased contract payments from OSU.
- \$3.6 million of Other Funds expenditure limitation is provided to continue the LEDS 20/20 (formerly CrimeVue) criminal history repository replacement project.
- HB 2355 adds \$750,000 Other Funds expenditure limitation to OSP's 2017-19 budget to develop and implement a data collection system related to traffic and pedestrian stops.

A total of \$49.3 million of Other Funds expenditure limitation was approved for the *Oregon Youth Authority* Capital Improvement program, including:

- \$17.2 million of Article XI-Q bond proceeds for capital improvements to permanent structures and fixtures to address needs identified by the Facility Condition Assessment completed on the agency's facilities.
- \$21.2 million of expenditure limitation for capital improvements to renovate and remodel seven living units on the west side of the campus at MacLaren Youth Correctional Facility. Article XI-Q

bonds were approved to finance Phase 1 of this project with \$15,177,200 of bond proceeds in 2017-19.

- \$11 million of expenditure limitation for capital improvements to renovate and remodel four living units at the Rogue Valley Youth Correctional Facility. Article XI-Q bonds were approved to finance Phase 1 of this project with \$6,973,465 of bond proceeds in 2017-19.
- Additionally, Other Funds expenditure limitation was increased by \$676,000 for the cost of bond issuance, and reduced by \$2.1 million due to elimination of 15 long-term vacant positions.

### Economic and Community Development

Other Funds expenditure limitations for the *Oregon Business Development Department* were increased by \$180.4 million for bond-supported programs. These programs are funded by a combination of Article XI-M and Article XI-N general obligation bonds (for seismic rehabilitation grants) and lottery revenue bonds. This total is a 27.1% decrease from the \$247.5 million of bond-funded programs approved in the 2015-17 biennium. The approved funding includes:

- \$100 million of Other Funds expenditures (reduced by \$75 million from the \$175 million included in the 2015-17 budget) for seismic rehabilitation grants for schools, and \$20 million (reduced by \$10 million from \$30 million in 2015-17) for seismic rehabilitation grants for emergency services facilities.
- \$30 million of lottery revenue bond proceeds were approved to recapitalize the Special Public Works Fund (including \$10 million specifically designated for levee projects). In the 2015-17 biennium, only \$18 million of bonds were provided for the Special Public Works Fund, including \$5 million designated for levee projects.
- \$15 million of lottery revenue bond proceeds were provided for the Port of Coos Bay Channel Deepening Project.
- \$9 million of lottery revenue bond proceeds were included for legislatively-identified infrastructure projects.
- \$4 million of Regional Solutions project bond funding was approved (decreased by \$9 million from \$13 million in 2015-17). Only \$1 of Other Funds expenditure limitation is provided in the budget, however, pending a report from the agency on a specific identified project funding request. The Other Funds expenditure limitation will be increased for approved projects.
- \$2.45 million of lottery revenue bond proceeds for cultural organization capital projects (decreased by \$2.05 million from \$4.5 million in 2015-17).
- \$2.7 million of Other Funds expenditure limitation was added to the Oregon Business Development Department budget for the costs of issuing the bonds identified above. These costs will be financed from bond proceeds.
- \$3 million of Other Funds were also added to support operating and research expenses of the Oregon Manufacturing Innovation Center (OMIC). The source of these funds are one-time moneys transferred to OBDD from the *ConnectOregon* Fund in the Department of Transportation.

Significant Other Funds expenditures in the *Employment Department* include:

- \$0.8 for job placement assistance for special populations.
- \$4.7 million for costs related to completion of the agency's feasibility study and next steps on modernizing information technology and business systems.
- A \$3.7 million reduction in Other Funds spending that reflects a decline in administrative grant revenue attributable to lower unemployment rates and the depletion of one-time funding.

Other Funds expenditures of note in the *Housing and Community Services Department* budget include:

- \$25 million in bond proceeds for preservation of affordable housing, which will preserve an estimated 750 units of affordable housing from converting to market rate rents.
- \$80 million authorization to issue bonds under Article XI-Q of the Oregon Constitution for the Local Innovation and Fast Track Housing affordable housing development program, expected to generate between 1,200 and 1,500 new units of affordable housing. This is double the amount of bonds approved for this purpose in the 2015-17 biennium.
- \$3.9 million for administration related payments associated with continuation of the Oregon Home Ownership Stabilization initiative, funded with federal Troubled Asset Relief Program resources.
- \$5 million related to continuation of energy assistance assessment collection and payments.

Other Funds limited expenditures for the *Department of Veterans' Affairs* total \$113.3 million and are \$27.9 million (or 32.6%) higher than the 2015-17 legislatively approved budget. This increase is net of a \$4.1 million decrease in Other Funds expenditure limitation attributable to the shift of veterans' services expenditures previously supported with home loan revenues to Lottery Funds. Significant increases include:

- \$14.9 million for increased operational costs at The Dalles and Lebanon Veterans' Homes due to higher than anticipated census levels.
- \$13.3 million in Article XI-Q bond proceeds to fund capital construction projects at The Dalles and Lebanon Veterans' Homes and to build a new Veteran's Home in Roseburg.
- \$933,333 for improvements to the Department of Veterans' Affairs' office building.

Other Funds Nonlimited expenditures for the Department of Veterans' Affairs total \$387.5 million and are \$14.2 million (or 3.8%) higher than the 2015-17 legislatively approved budget due to increased debt service payments expected in 2017-19.

### Consumer and Business Services

Other Funds expenditures in the *Bureau of Labor and Industries* are 5% higher than the 2015-17 legislatively approved budget. The change was due primarily to allowed inflation and expenditure limitation related to the passage of HB 3279, which registers property service contractors.

A decrease in the Other Funds expenditure limitation of \$3.1 million for the *Department of Consumer and Business Services* is a result of the net impact of a \$9.9 million reduction in budgeted expenditures for the Oregon Health Insurance Marketplace, elimination of long-term vacant positions, and statewide service charge reductions. These reductions were partially offset by increased positions in the Building Codes and Oregon OSHA programs, funding for mental health insurance parity examinations, and positions established for the regulation of mortgage loan servicers and debt buyers.

### Natural Resources

The *Department of Agriculture* Other Funds budget increased by \$4 million over 2015-17 due largely to shifting Food Safety and other program funding from General Fund to Other Funds, lab equipment purchases, additional staffing in the Food Safety and Weights and Measures programs, and a fee increase in the nursery program.

The *Department of Environmental Quality* Other Funds budget is \$16.5 million higher than 2015-17 due largely to the inclusion of \$10.7 million for expenditure of Volkswagen diesel settlement funds to replace school bus engines, and an additional \$2.5 million for solid waste disposal programs.

An Other Funds increase of \$10.9 million in the *Department of Fish and Wildlife* was mostly caused by the addition of \$10 million in capital construction expenditure limitation from bond proceeds that will be used to complete deferred maintenance projects at agency facilities across the state.

The *Department of Energy* Other Funds limited budget is 0.3% higher than the 2015-17 legislatively approved budget. The slight growth is due to a variety of adjustments, including:

- A reduction of \$2.5 million and nine positions (6.66 FTE) to limit the amount assessed under the Energy Supplier Assessment (ESA) and eliminate long-term vacant positions.
- A reduction of \$1.4 million and one position (5.25 FTE) to phase-out the energy incentive programs scheduled to sunset January 1, 2018.
- An increase of \$2 million for disbursement of Renewable Energy Development Grants that were awarded in the prior biennium, but will be disbursed in 2017-19 upon project completion.
- \$1.3 million for increases to expenditures supported by ESA revenues, including a Customer Relationship Management system (\$667,641), the Governor's Energy Policy Advisor position (\$343,395), and extraordinary Attorney General costs (\$250,000).

Other Funds Nonlimited expenditures for the Department of Energy are \$93.5 million (or 43.9%) less than the 2015-17 legislatively approved budget. The decrease is due to the phase out of \$71.9 million of expenditure limitation associated with a refunding of outstanding Small-Scale Energy Loan Program (SELP) bonds and the removal of an additional \$21.6 million of limitation to reflect reduced activity in the program.

Other Funds expenditure limitation authority for the *Department of Forestry* includes:

- \$100 million for the expenditure of lottery bond proceeds for the purchase of a portion of, or certain rights associated with, the Elliot State Forest.
- Capital construction Other Funds expenditure authority for the replacement of a shared-purpose facility in Toledo.
- A reduction in Other Funds expenditure limitation of \$3.46 million was made to the State Forest Division and includes the elimination of eleven positions (11.00 FTE) to account for reduced revenue due to less Department of State Lands forest land being under contract with ODF. This is because the Elliot State Forest is no longer part of the management contract.

Other Funds expenditure limitation of \$1.08 million is included in the *Department of Land Conservation and Development* budget along with the establishment of three limited duration positions (3.00 FTE) to support hazard mitigation planning by local governments and to update the statewide natural hazard mitigation plan. The plan is due for re-approval in 2020.

The Other Funds budget for the *Parks and Recreation Department* includes:

- \$7.5 million in Other Funds expenditure limitation for lottery bond proceeds for the Oregon Main Street Revitalization program, which is focused on preservation-based community revitalization and economic development.
- \$1.04 million for reimbursement grants from the Federal Office of Emergency Management related to storm damage at several parks.

- Other Funds revenues from camping fees of \$1.2 million, partially supporting an additional \$1.97 million Other Funds expenditure limitation for additional park and facility staffing.

The *Department of State Lands* Other Funds budget includes:

- \$8 million from the Portland Harbor Cleanup Fund established by SB 5530. The fund balance includes \$5 million from a General Fund transfer and an additional \$3 million of net proceeds from lottery bonds.
- \$6.33 million from the Common School Fund is included in the budget for legal expertise related to the Portland Harbor Superfund site.
- \$3.72 million Other Funds expenditure limitation is included in the agency's budget for expenses related to a custodial management contract; fire patrol assessments; and development of a Habitat Conservation Plan and Environmental Impact Statement for the Elliott State Forest, a result of the State Land Board's decision to retain public ownership of the Forest and the discontinuance of the Elliott Forest management contract with the State Department of Forestry.
- Other Funds expenditure limitation of \$574,321 for the continuation of work on historical filled lands that began in the prior biennium is included in the budget, along with an additional \$737,396 Other Funds expenditure limitation for:
  - A project management position for the Elliott Forest, Portland Harbor Superfund site, and the Goble cleanup site
  - A trust-lands management position
  - Vehicle replacement
  - Capital improvement projects

The budget for the *Water Resources Department* recognizes anticipated Other Funds revenues of roughly \$500,000 from an increase in certain fees, as authorized by SB 2295 and SB 2296. Other Funds expenditure limitation is provided to WRD for:

- The expenditure of \$26 million in lottery bond proceeds carried forward in the 2017-19 biennium from the 2015-17 biennium for various water projects.
- \$22 million for lottery bond proceeds anticipated to be received by the agency during the 2017-19 biennium is included for the following purposes:
  - \$1.5 million for feasibility studies and initial implementation of water conservation, reuse, and storage projects
  - \$15 million additional capitalization of the Water Supply Development Fund
  - \$4.5 million for water supply and storage projects at the City of Carlton
  - \$1.2 million for water supply projects at the Santiam Water Control District

### Transportation

Other Funds expenditure limitation for the Transportation Program Budget increased by \$266.8 million (or 7.9%) from the 2015-17 legislatively approved budget level for the following purposes:

- \$110.9 million and 50 positions to begin implementation of HB 2017, the transportation funding package, including \$51.5 million for grants to transit providers to increase the availability of transit services through increased hours of operation or additional days of service.
- \$30 million for *ConnectOregon VII*.
- \$29.4 million for debt service on the State Radio Project.
- \$27 million for Phase II of the DMV Service Transformation Project.

- \$6.3 million to replace the Ona Beach maintenance station.
- \$5.6 million for ODOT capital improvement projects.
- \$2 million for the Southwest Capitol Highway Project.

### Administration

Other Funds limited expenditures for the *Department of Administrative Services* are \$38 million higher than the 2015-17 legislatively approved budget. Increases include:

- \$9.1 million due to the transfer of 30 positions from 12 other state agencies and creation of 5 new positions, to consolidate information technology security functions within the Office of the State Chief Information Officer.
- \$20.1 million and 33 positions, 30 of which are limited duration, to implement the new statewide human resources information system.

Other Funds Nonlimited Expenditures for DAS decreased by \$148 million from 2015-17, due to phasing-out Nonlimited Other Funds authority for disbursement of proceeds from bonds sold for the benefit of higher education during the 2015-17 biennium. All such disbursements will instead be made by the Higher Education Coordinating Commission during the 2017-19 biennium.

The legislatively adopted budget for the *Oregon Liquor Control Commission* consists entirely of Other Funds, and totals \$206.2 million. Of this amount:

- \$14.3 million and 61 positions (20% of all positions in the agency) are attributable to Marijuana regulatory expenses. The number of license applications in 2015-17 was double the amount originally anticipated; this trend is not anticipated to level off until late in the 2017-19 biennium.
- The balance of the agency's budget is attributable to liquor distribution and regulation (including compensation to liquor agents in the amount of \$123.9 million), and agency administration.

Other Funds expenditures for the *Public Employees Retirement System* total \$98.5 million and is \$9.8 million (or 9%) lower than the 2015-17 legislatively approved budget. Major changes include:

- \$8.3 million in savings due to the phase-out of projects, primarily related to information technology.
- A reduction of \$5.4 million primarily due to savings in State Government Service charges.
- \$3.5 million for projects related to cybersecurity, business continuity, and disaster recovery.
- An increase of \$1.4 million for the final phase of the Individual Account program project.
- \$1.3 million for a final debt service payment.
- \$827,024 in savings due to elimination of vacant positions.
- A reduction of \$496,921 due to information security position consolidation.

Other Funds expenditures for the *Department of Revenue* total \$124.8 million and are \$13.5 million (or 9.8%) lower than the 2015-17 legislatively approved budget. Major changes include:

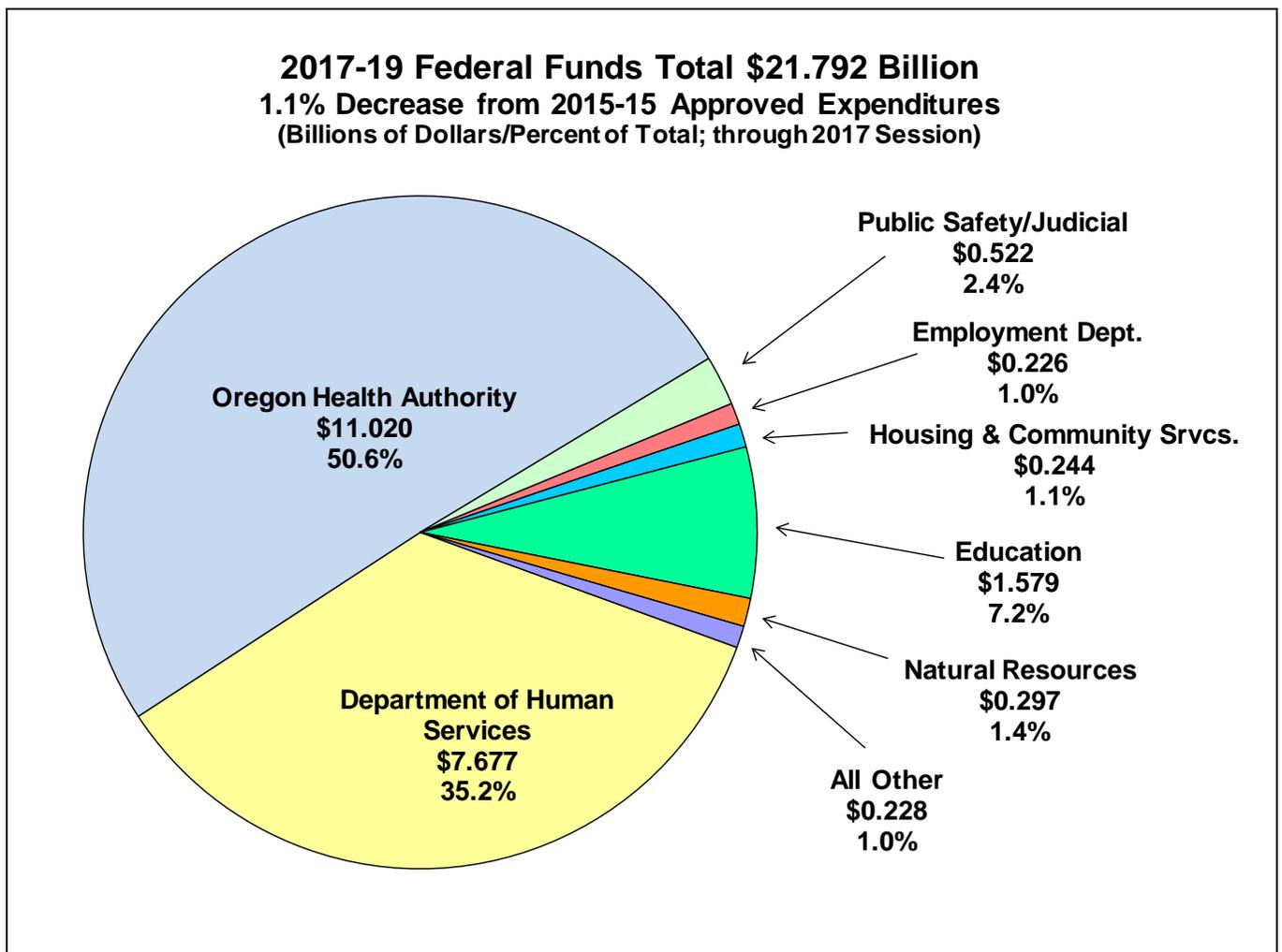
- \$28.6 million in savings due to the phase-out of primarily for Phase-III of the Core Systems Replacement project and an increase of \$8.4 million Other Funds for the final phase of the project.
- \$2.8 million to cover costs related to SB 5045 and the transportation package.
- \$1.2 million for debt service costs.
- \$1 million for completion of a cash transaction facility improvement.
- \$1.5 million for the County Assessment Function Funding Account.
- \$1 million in savings due to elimination of vacant positions.
- A reduction of \$856,772 due to information security position consolidation.

Other Funds expenditures for the *Treasurer of State* total \$80.4 million and are \$18.2 million (or 29.3%) higher than the 2015-17 legislatively approved budget. Major changes include:

- \$10.1 million to cover costs for the Investment Division and general administration.
- A reduction of \$2.9 million as a result of the phase-out of the Cash Management Improvement and Renewal Program, which is partially offset by an increase of \$2.3 for continuation of the program.
- \$2 million for cybersecurity enhancement.
- \$700,000 for Achieving a Better Life Experience Act program contract with the State of Washington.

### Federal Funds Expenditures

The 2017-19 legislatively adopted budget authorizes the expenditure of \$21.8 billion Federal Funds. This is revenue from the federal government that is sent to state agencies to pay for specific programs and activities. Examples include competitive grants, matching funds, block grants, pass-through funds, or special payments. The 2017-19 legislatively adopted Federal Funds budget represents a decrease of \$240 million (or 1.1%) from the 2013-15 legislatively approved Federal Funds level.



Significant changes in Federal Funds expenditure limitation include the following:

### Education

There were no significant Federal Funds expenditure changes of note for agencies in the Education program area.

### Human Services

Federal Funds of \$18.7 billion in the 2017-19 legislatively adopted budget represent a \$177 million (or just under 1%) decrease from the 2015-17 legislatively approved federal funds budget. The budget does not address any potential federal changes to Medicaid programs or funding mechanisms. The net decrease is primarily the result of the following changes:

- Federal Funds in the *Oregon Health Authority* decreased by \$532 million, or 4.6%, primarily because of the stabilization of the Affordable Care Act expansion caseload on the Oregon Health Plan in 2017-19 at a somewhat lower level than in 2015-17. Total Federal Funds expenditure limitation in 2017-19 is \$11 billion.
- The *Department of Human Services'* budget reflects projected caseload growth and cost per case increases in Aging and People with Disabilities and Intellectual and Developmental Disabilities programs, which drive a Federal Funds revenue increase of 15%, or about \$538 million, across these two budget components. The programs are operating under the federal Community First Choice Option (or "K Plan") which generates an additional 6% in the federal medical assistance percentage (FMAP) for qualifying services. The increase is partially offset by a \$300 million decrease in projected federal Supplemental Nutrition Assistance Program (SNAP) benefits.

### Public Safety and Judicial Branch

Federal Funds expenditure limitation was increased in the *Department of Public Safety Standards and Training* to carry over a total of \$0.86 million in federal Assistance to Firefighter grant funds for the purchase of car fire and other mobile fire training props and equipment.

Federal Funds expenditures for the *Department of Justice* total \$179 million and are \$10.7 million (or 6.4%) higher than the 2015-17 legislatively approved budget. Major changes include:

- \$31.2 million phase-out for Phase-II of the Child Support Division's information technology project and an increase of \$32.1 million for Phase-III of the project.
- \$14.2 million phase-out for the Intimate Partner Violence and Pregnancy/Safer Futures grant and Victims of Crime Act grant (VOCA) and an increase of \$15.5 million for the VOCA grant.
- \$16.3 million for the replacement of NonLimited expenditure authority.

The *Military Department* increased Federal Funds expenditure limitation as follows:

- \$7.4 million and added 21 positions to manage the 7,500-acre National Guard training site on the former Umatilla Chemical Depot near Hermiston, Oregon.
- \$1 million in order to pass through Federal Emergency Management Agency (FEMA) grant funds to the Department of Land Conservation and Development;
- \$0.9 million to pay storm water run-off fees to the City of Portland;

- \$0.7 million for the STARBASE science and math program at Oregon’s two air bases; and
- \$1.2 million for the Youth Challenge program.

For the *Department of State Police*, Federal Funds expenditure limitation was increased to carry over a total of \$0.7 million in federal Sexual Assault Forensic Evidence, Inventory, Tracking, and Reporting (SAFE-ITR) grant funding from the U.S. Department of Justice. OSP will use the grant funds to establish a program to inventory the SAFE kits in the agency’s possession. Additionally, \$1.5 million of Federal Funds expenditure limitation was provided to continue the LEDS 20/20 (formerly CrimeVue) criminal history repository replacement project.

### Economic and Community Development

Unemployment insurance benefits associated with federally approved payment extensions and federal employees are classified as Federal Funds Nonlimited, and total \$70 million for the *Employment Department’s* 2017-19 legislatively adopted budget. Federal Funds expenditure limitation in the amount of \$155.9 million is largely attributable to U.S. Department of Labor reimbursements for agency activities related to administration of unemployment insurance benefits, employment services, and workforce and economic research activities. Increases in Federal Funds expenditure limitation include:

- \$0.5 million associated with promotion of the Work Opportunity Tax Credit Program.
- \$4.8 million associated with caseloads attributable to the Trade Adjustment Assistance Program, which targets assistance and training to workers who have lost jobs due to foreign competition.
- \$0.9 million reduction in Federal Funds administrative spending, reflecting a decline in administrative grant revenue attributable to lower unemployment rates.

Federal Funds expenditure limitation in the *Housing and Community Services Department* budget totals \$122.7 million. The largest Federal Funds expenditures are attributable to energy assistance payments and weatherization (totaling \$76.9 million across several programs), housing development payments (\$14.5 million), and Community Services Block Grant funding for anti-poverty programs (\$10.7 million). Low income rental assistance payments are classified as Federal Funds Nonlimited, and total \$121.2 million. Significant differences related to Federal Funds expenditures include:

- \$6 million from new federal funding associated with the National Housing Trust Fund program, which allocates \$3 million annually to augment existing housing production and preservation efforts for extremely low-income families.
- A reduction of \$7.1 million related to the transfer of the Oregon Volunteers program to the Office of the Governor.

Federal Funds for the *Department of Veterans’ Affairs* are 88.8% less than the 2015-17 legislatively approved budget. The decrease is primarily due to the phase-out of capital construction limitation (\$3.3 million) provided in the 2015-17 biennium for a U.S. Department of Veterans’ Affairs grant to renovate The Dalles Veterans’ Home.

### Consumer and Business Services

Legislatively adopted Federal Funds expenditure limitation for the *Bureau of Labor and Industries* was 18% less than the 2015-17 budget for the agency. The change was primarily due to the loss of two sources funding that are no longer available in the 2017-19 biennium:

- A contract with U.S. Housing and Urban Development that had contributed funding toward investigation of fair housing complaints.
- Apprenticeship and Training division funding from the U.S. Department of Veterans' Affairs that was not renewed, due to consolidation of federal Veterans' Affairs funding for job training within the Higher Education Coordinating Commission.

### Natural Resources

Federal Funds expenditure limitation for the *Department of Fish and Wildlife* was reduced by \$9.6 million (or 6.7%) due to elimination of vacant positions (\$4 million) and cuts to expenditure limitation to better align the budget with more realistic projections of actual federally supported expenditures.

The *Department of Geology and Mineral Industries* Federal Funds budget includes a reduction of \$927,755 (or 13.5%) from the 2015-17 legislatively approved budget to reflect the identified LIDAR contracts and grant projects already in place for the 2017-19 biennium. The Department may return to the Legislature, as in the 2015-17 biennium, to request an increase in Federal Funds expenditure limitation if additional LIDAR or grant funds are identified.

A \$4.4 million increase in Federal Funds to the *Oregon Watershed Enhancement Board* attributable to the Pacific Coastal Salmon Recovery Fund for salmon recovery activities.

### Transportation

There were no significant Federal Funds changes of note for agencies in the Transportation program area.

### Administration

Federal Funds expenditure limitation in the amount of \$6.9 million was added to the budget for the *Office of the Governor*, reflecting the statutory transfer of the Oregon Commission on Voluntary Action and Service from the Housing and Community Services Department.

## Summary of Legislative Actions Affecting the Budget

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### Cost Containment (SB 1067)

A major initiative of the 2017 session was to find ways to reduce and control future government costs. A legislative workgroup was convened to evaluate cost containment options and recommend changes that could be put into place to reduce costs beginning in the 2019-21 biennium. SB 1067 included several provisions designed to prevent and reduce future costs and institute prudent budget and financial practices. Because future costs are not completely known, it is not possible to fully calculate the savings that will be achieved due to the changes in the bill; however, taking into consideration the fully biennialized estimate of actions that will result in direct savings, funds that are freed up to be redeployed for higher priority needs, and ongoing changes to the budget process and state financial practices, it is estimated that the measure reduces future costs by approximately \$1 billion total funds per biennium.

Specific changes, as a result of the bill, include:

- Legislative review of reclassification of positions by state agencies.
- Legislative review of agency long-term vacancies.
- Requires additional reporting on collective bargaining changes that result in increased costs.
- Reduces the cap on state government FTE to 1% of the state population.
- Requires the Legislative Fiscal Office (LFO) to study the Lottery Commission administrative costs and transfer rate prior to the odd-numbered year session.
- Requires a study of state procurement practices to achieve savings.
- Authorizes LFO to update current service level assumptions from what is used to prepare the Governor's budget proposal.
- Sets a target of 2% of replacement value to be spent on deferred maintenance each biennium.
- Modifies the law regarding PERS side accounts (pre-paid employer contributions) and requires the Governor's budget proposal to include recommendations on funds available for additional side account deposits.
- Limits PERS contingency reserve fund to \$50 million, freeing up \$533.7 million to support future benefit payments and reduce the unfunded actuarial liability.
- Ensures that communications regarding the PERS unfunded accrued liability include information on side accounts.
- Requires the Legislature to establish a minimum project amount to be eligible for bond financing; projects below that amount need to be funded with cash.
- Centralizes debt collection activity in state government in the Department of Revenue and further specifies changes to debt collection processes.
- Requires the Public Employees' Benefit Board (PEBB) and the Oregon Educators Benefit Board (OEBB) to establish an executive committee to develop a plan for the merger of the boards and to begin to combine administrative functions and operations.
- Requires PEBB and OEBB to adopt methodologies designed to limit growth in premium or per member health plan costs to 3.4% per year; the PEBB actuary considers the current trend to be at approximately 7.2% growth in costs per year.

- Eliminates “double coverage” for PEBB and OEGB employees who have family members also employed by a PEBB or OEGB employer.
- Ties hospital rates for PEBB and OEGB to a percentage of Medicare rates.

While the intent of the measure was to focus on future costs, some elements of the measure were instituted as part of the 2017-19 budget process, including:

- Review of long-term vacant positions, resulting in savings of \$38.9 million total funds and a reduction of 339 positions.
- Review of standard inflationary adjustments, as well as of personal services costs based on expectations regarding the hiring practices of state agencies for new positions, as well as when currently filled positions become vacant, resulting in savings of \$160.3 million total funds.
- Reduction in rates and assessments for the Department of Administrative Services and the Department of Justice, resulting in savings of \$81.4 million total funds.
- Review of the Lottery Commission administrative needs and funds, resulting in the transfer of an additional \$30.7 million for program needs.

## **Assumptions**

In a typical biennium, various assumptions regarding rates and assessments are made while building the budget. The budget is initially built by taking the previous biennium’s budget and adding in these new rates, assessment changes, inflation, and personal services cost increases. These elements of the budget are discussed below.

### Inflation

Standard inflation applies to most services and supplies, non-PICS personal services, capital outlay, and some special payment accounts. The standard inflation factor for 2017-19 is 3.7%. Non-state personnel costs (contract providers) were allowed a 4.1% inflation rate. During legislative action on the proposed budgets, most standard inflation was eliminated from agency budgets (with some exceptions) as part of the cost containment effort.

Medical inflation, which includes many human services programs and other programs that utilize trained medical staff, was set at a rate of 4.1%. Inflation rates for certain programs may be higher than the inflation rates listed above. Any exceptions to those rates were approved by the Legislative Fiscal Office analyst assigned to that agency.

### Rates

Some of the services and supplies accounts are based on rates charged for services. Inflation is not applied to these accounts. These accounts are adjusted by the rates that will be charged for the services. During budget development, the Department of Administrative Services publishes the Price List of Goods and Services. This document contains all the rates that agencies will be charged by other agencies.

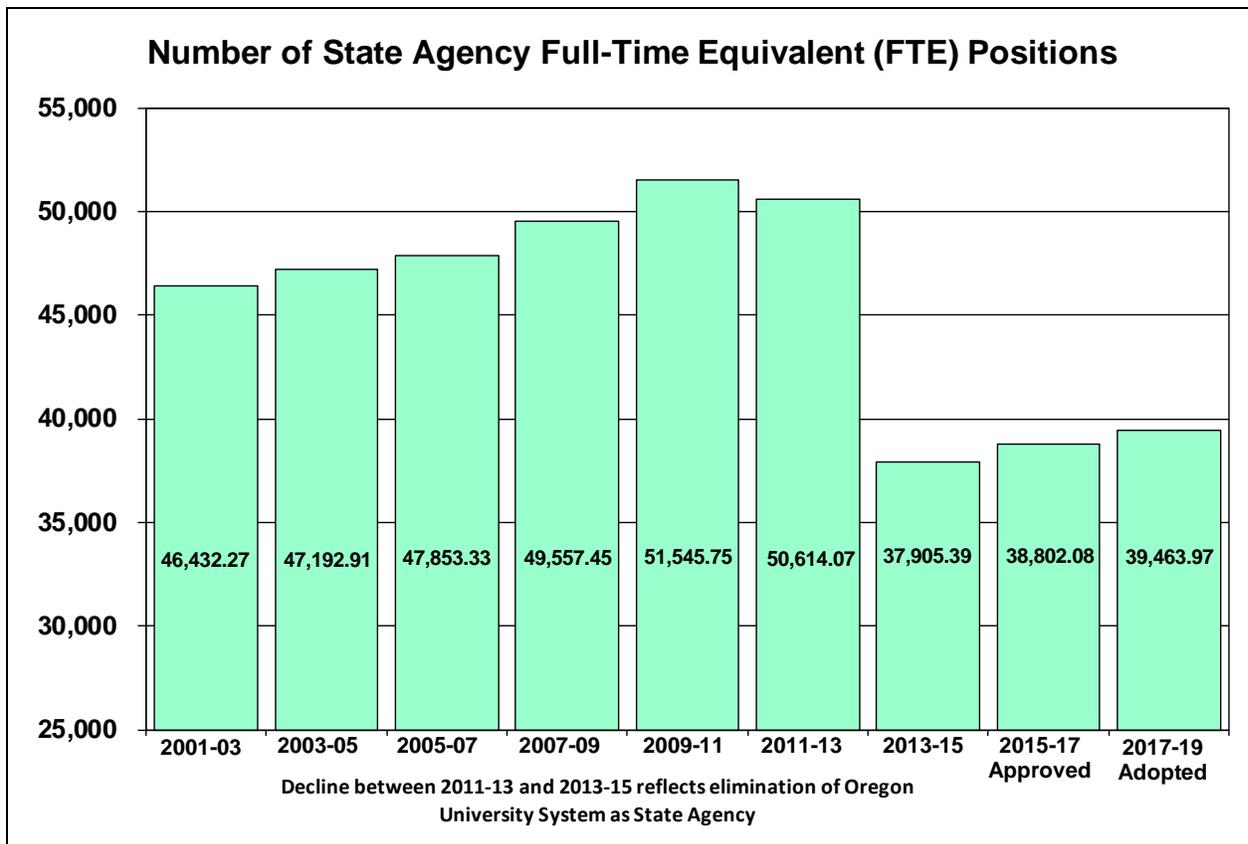
During the 2017 session, adjustments were made to lower the rates charged to state agencies from what was anticipated in the Price List for the Department of Administrative Services, the Attorney General, and the Employment Relations Board.

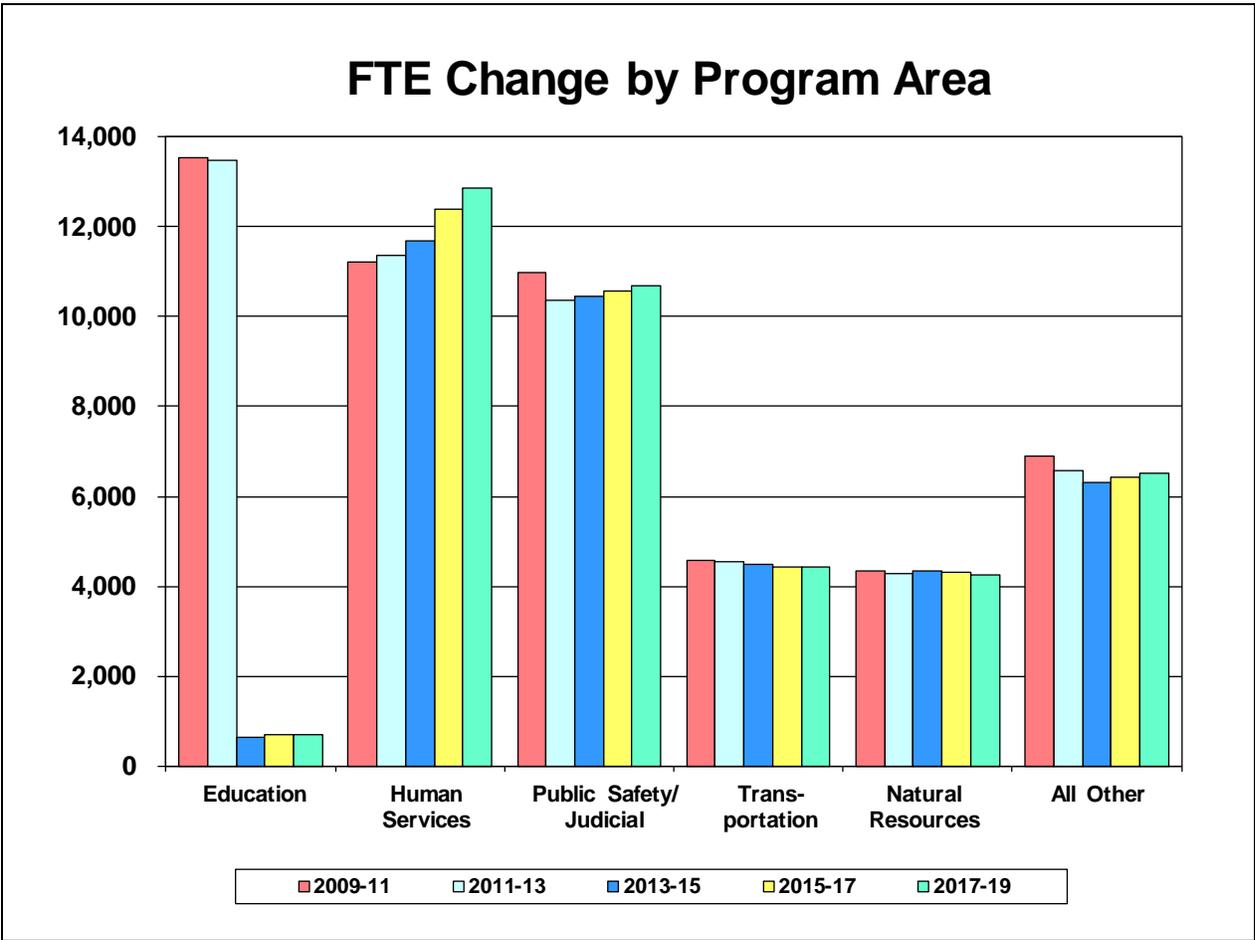
## State Employees

### Positions and Full-Time Equivalency

The legislatively adopted total funds budget supports 39,463.97 Full-Time Equivalent (FTE) positions. An FTE represents the number of months for which each position is budgeted during the 24-month biennium. State law (ORS 240.185, as amended by SB 1067 from the 2017 session) limits the number of state FTE positions to 1% of the state's population in the previous year. As of July 1, 2016, the state's population was estimated at 4,076,350. The FTE limit at the beginning of the biennium is therefore 40,763.50 FTE, slightly higher than the number included in the adopted budget. In addition, ORS 240.185 also provides for certain FTE exclusions, including employees in the legislative and judicial branches, the Offices of the Secretary of State, the Governor, and the State Treasurer, and some positions in the Employment Department. Of the total FTE in the 2015-17 legislatively adopted budget, 55.1% of the approved FTE, or a total of 21,752.51, are in four state agencies (the Oregon Health Authority, and the Departments of Human Services, Corrections, and Transportation).

The number of state positions and FTE increased slightly in the 2017-19 adopted budget, up by 520 positions and 661.89 FTE (increases of 1.3% and 1.7%, respectively). Comparisons to earlier biennia are no longer valid because of the Legislature's decision to move the Oregon University System (OUS) to non-state agency status with the passage of SB 242 during the 2011 session. This resulted in a break in the state positions/FTE data series. In the 2011-13 legislatively approved budget, for example, OUS totaled 18,650 positions and 13,015.02 FTE; these are no longer counted in the totals for 2013-15 and subsequent biennia. A complete list of FTE by agency and program area can be found in Appendix C.





**Salary and Benefit Actions**

The 2017-19 legislatively adopted budget includes \$100 million General Fund for state employee compensation issues and another \$10 million General Fund for non-state employee compensation. Both amounts were appropriated to the Emergency Board as special purpose appropriations to be allocated to the affected entities once final collective bargaining decisions are made. For state employees, collective bargaining resulted in new contracts that generally included the following components (not all collective bargaining units have completed negotiations or ratified the proposed contracts)<sup>1</sup>: step increases for eligible employees during both years of the biennium; continuation of the 5% employee contribution to the cost of health insurance premiums (with some options); a 1.85% cost-of-living adjustment effective June 2018; effective February 2019 for those bargaining units that have not already made the switch, the state will discontinue the 6% PERS pickup, employees will receive a 6.95% salary increase, and employees will be required to begin making their own 6% contribution to PERS; and a wage floor of \$2,600 per month effective during the second half of the biennium. Final numbers have not yet been generated to determine if the \$100 million special purpose appropriation will cover all the General Fund costs of the negotiated contracts. More details will be provided when the Department of Administrative Services makes statutorily required reports on compensation plan changes to the legislative review agency (Joint Committee on Ways and Means or the Emergency Board).

<sup>1</sup> This description reflects the tentative agreement made by the Service Employees International Union (SEIU); the Association of Federal, State, County, and Municipal Employees (AFSCME); and Association of Engineering Employees (AEE). The SEIU contract adjusted pay to reflect employees paying their own 6% PERS contribution during the 2015-17 biennium. The June 2018 COLA for AFSCME is 1%. The AEE contract includes wage adjustment due to employees paying the PERS contribution of 6% and no wage floor.

For non-state employees, it is anticipated that the \$10 million special purpose appropriation will help pay for compensation changes driven by collective bargaining, including cost of living rate increases for adult foster home providers. Funding is also expected to address child care and home care contract changes not covered in agency budgets.

### **Agency Organizational Changes**

Agency organizational changes made during the 2017 session include:

- PERS implemented a reorganization plan effective July 1, 2015. The Department of Administrative Services (DAS) submitted, on May 4, 2016, a substantive program change report to legislative leadership and the Legislative Fiscal Office pertaining to the PERS reorganization, as required by ORS 291.373. With the fulfillment of the reporting requirement, the plan proceeded, except for the proposed change to the Deputy Director position. This position was viewed as too important to be abolished, or reclassified, and the expectation was that the position be filled. A policy package was added during the 2017 session to effectuate the reorganization in the budget, which included: (a) combining the Benefits Payments and the Customer Service Divisions into a single Operations Division; (b) creating a new Compliance, Audit, and Risk Division; and (c) eliminating the Policy Planning and Communications Division by moving these functions into the Compliance, Audit, and Risk Division, the Operations Division, and the director's office. The reorganization creates a new level of management under the Executive Director by elevating former division directors to: a Chief Operations Officer (COO), a Chief Administrative Officer (CAO), a Chief Technology Officer (CTO), and a Chief Compliance/Audit/ Risk Officer (CCO). These positions will continue in their roles as division administrators. The Legislature added a Chief Financial Officer position to correct what was felt to be an oversight in the agency's reorganization plan.
- Within the Department of Human Services, the Program Design Services budget structure was disbanded. The associated licensing, regulatory, information technology, business intelligence, and program integrity work was moved to other program units. The reorganization is expected to improve client safety and responsiveness to provider oversight issues.
- HB 2319 merges the administration and centralized services of the Board of Licensed Professional Counselors and Therapists with the Board of Psychologist Examiners to form the Mental Health Regulatory Agency. The boards will continue to maintain separate regulatory authority over consumer protection and determination of the qualifications of their respective regulated professions. The two boards will jointly appoint the director for the Mental Health Regulatory Agency. Passage of this bill is anticipated to realize efficiencies and savings for the two boards. The budgetary impact of this bill is incorporated in SB 5513, the budget appropriation bill for the Regulatory Agency.
- HB 2328 renamed the Board of Psychologist Examiners to the Board of Psychology after the Board determined that the agency name reflected an antiquated idea of the Board's function, and can be confusing to the public because the mission of the Board is broader than the simply the examination of psychologists.
- The 2017-19 legislatively adopted budget for the Department of Consumer and Business Services (DCBS) combined the budgets of the Insurance and Financial and Corporate Securities divisions into a single division called the Division of Financial Regulation. This change was first presented to the Legislative Fiscal Office in November 2015. At that time, DCBS stated that it intended to implement the operational changes beginning January 1, 2016, but the budgetary and accounting functions of the program would remain as approved by the Legislature in the 2015 session. The agency director

presented the idea of a combined Insurance/Finance division at an informational hearing of the Joint Committee on Ways and Means on February 2, 2016 where he noted the need to allocate and account for funding sources and maintain statutory framework of funding and program responsibility. The director also noted that the 2017-19 budget structure changes would have to be brought before the Legislature. As a component of the consolidation, the federally funded Senior Health Insurance Benefit Assistance (SHIBA) program, formerly managed under the Insurance Division, was moved to the Health Insurance Marketplace Division. The combined 2015-17 legislatively approved budget for the Insurance and Financial and Corporate Securities divisions totaled \$44.1 million (excluding \$4.6 million Federal Funds for the SHIBA program). The 2017-19 legislatively adopted budget for the Division of Financial Regulation is \$46.4 million, an increase of \$2.3 million (or 5.2%).

### **Prioritization Process for Agency Programs**

Balancing the state budget necessitates resource allocation decisions concerning public services and programs. To facilitate the process, the Executive Branch adopted the review practice of the Joint Committee on Ways and Means by institutionalizing a program prioritization process in agency budget development. A “Prioritized List” worksheet, previously developed by the Legislative Fiscal Office to help agencies provide data in a consistent format, is now required to be included in agency budget documentation. Information required in the worksheet includes summary information for each activity, purpose and statutory authority, activity costs and source of funds, positions, and expected results (performance measures). The initial prioritization was accomplished by asking agencies to prioritize their own divisions or programs and this information was then consolidated to develop an agency-wide priority ranking. Agencies were instructed to document the criteria used to establish their priorities.

### **Performance Measurement and Management**

Oregon has a history of performance measurement use that goes back to the late 1960s. Most of the current legal framework governing performance measures was passed by the 1993 Legislature. The 2013 Legislature established the Task Force on State Budget Process, which was charged with reviewing statutes governing the development of the state budget and identifying provisions that are outdated. The 2015 Legislature considered SB 159, which would have implemented the changes recommended by the Task Force, including some modification to provisions related to performance measurement and management. The bill did not make it through the entire legislative process before sine die, but was re-introduced and passed in the 2016 session as SB 1596. This bill made several changes to the budget development process. Under the measure, state agencies continue to be required to develop key performance measures (KPMs) demonstrating progress made towards achieving specified outcomes. During Oregon’s budget development process, the Legislature reviews and approves KPMs and related targets for the next biennium. The Legislature may adjust an agency’s KPM targets based on the final legislatively approved budget. In addition to providing KPM data, state agencies are responsible for analyzing, reporting, and addressing any negative changes in performance or shortcomings in reaching anticipated performance levels.

For the 2017-19 budget process, the Legislature again reviewed and approved agency KPMs and targets. The final decisions on KPM’s are included in each agency’s budget report.

## Oregon Reserve Funds

### Education Stability Fund

The Education Stability Fund (ESF) was established in September 2002, when voters amended the Oregon Constitution to reformulate an existing education endowment fund into a reserve fund. The ESF is funded with 18% of the net proceeds from the state's lottery and is capped at 5% of the amount accrued in General Fund revenues during the prior biennium. Once the cap is reached, 15% of net lottery proceeds are deposited into the ESF's school capital matching subaccount. The Legislature is allowed to spend the principal of the fund for public education if there is an economic downturn and the expenditure is approved by three-fifths of the members in each chamber.

In order to access the ESF principal, the Legislature must make a finding that:

- the last quarterly economic and revenue forecast for a biennium indicates that moneys available to the state's General Fund for the next biennium will be at least 3% less than appropriations from the state's General Fund for the current biennium.
- there has been a decline for two or more consecutive quarters in the last 12 months in seasonally adjusted nonfarm payroll employment.
- a quarterly economic and revenue forecast projects that revenues in the state's General Fund in the current biennium will be at least 2% below what the revenues were projected to be in the revenue forecast on which the legislatively adopted budget for the current biennium was based.

If none of these conditions are met, the ESF can also be used by the Legislature for public education if the Governor declares an emergency and the expenditure is approved by a three-fifths majority of each chamber.

The ESF has been used several times to balance or rebalance a biennial budget. Although the ESF must be used for expenditures on public education, since education comprises a significant portion of the state's budget (K-12 through higher education), expenditure of ESF resources for public education allows the General Fund dollars designated for education to be redirected to other parts of the budget.

Information regarding the use of the ESD is outlined below:

- The constitutional amendment renaming the endowment fund as the Education Stability Fund (HJR 80) authorized a transfer of \$150 million from the ESF to the State School Fund (SSF) on May 1, 2003; this occurred during the 3<sup>rd</sup> special session of 2002 and offset an equivalent General Fund disappropriation to the SSF as part of the 2001-03 budget rebalance plan.
- During the 2003 session, the Legislature transferred an additional \$112 million from the ESF to the SSF in May 2003 as part of the final rebalance for the 2001-03 biennium.
- Also during the 2003 session, the Legislature prospectively transferred 90% of the lottery deposits to be made to the ESF between July 2003 and May 2005 to the SSF on May 1, 2005, as part of the balanced budget plan for the 2003-05 biennium.
- During the 2009 session, the Legislature transferred the balance of the ESF to the SSF, projected at \$394 million, as part of the rebalance of the 2007-09 budget.
- To guarantee a commitment made to provide a \$6 billion State School Fund for the 2009-11 biennium, the Legislature, during the February 2010 special session, made a prospective transfer of \$84.274 million from the ESF to the SSF to occur in May 2011.<sup>2</sup>

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<sup>2</sup> The amount of the transfer was determined by the June 2010 economic and revenue forecast and was equal to the difference between \$200 million and the combination of the balance in the Rainy Day Fund plus the projected General Fund ending balance for the 2009-11 biennium.

- In order to balance the 2009-11 budget and to address federal post-secondary education maintenance of effort requirements, \$96.425 million was transferred from the ESF to the SSF during the 2011 session.
- Also during the 2011 session, the Legislature transferred \$100 million from the ESF to the SSF as part of the 2011-13 budget and provided for an additional transfer of \$82.239 million from the ESF to the SSF to occur in May 2013 to be used for several education-related programs, including an enhancement to the SSF initial funding level.
- The Legislature took no action during the 2013 or 2015 sessions to access resources in the ESF. The balance in the ESF at the end of the 2015-17 biennium was \$384.2 million.

As in the previous two sessions, the Legislature took no action during the 2017 session to access resources in the ESF. As of the May 2017 economic and revenue forecast, the ending balance for the fund at the end of the 2017-19 biennium is projected to be \$585.6 million.

### Oregon Rainy Day Fund

The Oregon Rainy Day Fund (ORDF)<sup>3</sup> was established by the 2007 Legislative Assembly as a general purpose reserve fund. The ORDF was originally capitalized with a deposit of approximately \$319 million from the retention of the majority of the corporate income tax “kicker” that was due to be restored to corporate taxpayers in the fall of 2007. Future deposits into the ORDF are to be from the state’s General Fund ending balance in an amount of up to 1% of the General Fund appropriations for the biennium. If the biennium’s ending balance is greater than 1% of the General Fund appropriations for that biennium, then an amount equal to 1% is transferred to the ORDF and the remaining amounts are retained by the General Fund. If the biennium’s ending balance is less than 1% of the General Fund appropriations for that biennium, then the full amount of the ending balance is to be transferred to the ORDF. Due to the amount of time necessary to make final determinations on biennial expenditures, this transfer from the ending balance would normally occur at the time of the March economic and revenue forecast in the year following the conclusion of the biennial budget period.

In addition to the ending balance transfer, HB 2073 passed by the Legislature during the 2009 session provided for the deposit of all revenue collected from corporate income and excise taxes above the 6.6% tax rate into the ORDF. These deposits will begin with the 2013 corporate tax year with revenues collected during the 2013-15 biennium. When HB 2073 was passed in 2009, the Legislative Revenue Office’s initial estimate was that \$69 million would be collected under the law for deposit in 2013-15. These transfers are to occur on or before June 30<sup>th</sup> of each odd-numbered year.

If the balance in the ORDF at the time of the ending balance transfer is greater than 7.5% of the General Fund revenues collected during the prior biennium, then the ending balance transfer is made to the General Fund instead of the ORDF. The full amount of the transfer is made to the ORDF if the fund balance does not equal at least 7.5% of the General Fund revenues collected during the prior biennium even if the transfer increases the amount in the ORDF over the cap.

Like the Education Stability Fund, the ORDF also requires a three-fifths majority of both chambers of the Legislature to authorize an expenditure of funds from the reserve fund. The ORDF uses the same trigger mechanisms that are used for the ESF, with two exceptions. First, there is no allowance for a declaration

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<sup>3</sup> See ORS 293.144 – 293.148.

of an emergency by the Governor. Second, unlike the ESF, the ORDF is a statutory, not constitutional, creation so the Legislature can change the existing triggers by passing a new law.

The Legislative Assembly is also limited to appropriating for any one biennium only up to two-thirds of the amount in the ORDF at the beginning of that biennium; if the appropriation is for a biennium that has not yet started, the Legislative Assembly can use the most recent official projection of the beginning balance of the ORDF for the biennium for which the appropriation is to be made. The ORDF retains all interest, which is calculated and transferred to the ORDF once a month by the Department of Administrative Services.

The ORDF has been used three times to balance or rebalance a biennial budget:

- During the 2009 session, the Legislative Assembly transferred two-thirds of the balance of the ORDF on July 1, 2009, estimated at \$225 million, to the General Fund for general governmental purposes as part of the final 2009-11 biennial balanced budget plan.
- In order to provide a \$6 billion State School Fund for the 2009-11 biennium, the Legislative Assembly provided a \$200 million trigger in the budget bill for the SSF during the 2009 session. The trigger amount was to come from a combination of the state's projected General Fund ending balance and the ORDF with amounts to be determined at the time of the June 2010 economic and revenue forecast; the amount eventually transferred was \$115.726 million.<sup>4</sup>
- As part of the 2009-11 budget rebalance plan crafted during the February 2010 special session, the Legislature transferred \$10 million from the ORDF to the General Fund for general governmental purposes.

The May 2017 economic and revenue forecast shows a projected balance of \$388.8 million in the ORDF at the end of the 2015-17 biennium. The projected balance in the ORDF at the end of the 2017-19 biennium is currently estimated at \$634.7 million.

## Major Revenue Bills

This section summarizes five major revenue bills. The first three are the result of legislative work groups. The other two revenue bills, while not as far reaching as the work group products, represent significant changes in state personal and corporate income tax laws. The bills are:

- HB 2017 is the product of the transportation work group. The core revenue elements of the bill are a 10-cent gas tax increase spread over 7 years coupled with a proportional increase in the weight mile tax. Other elements include increased vehicle registration and title fees, a 0.1% statewide payroll tax, a 0.5% privilege tax on new vehicle purchases and a \$15 excise tax on bicycle purchases above \$200. The combination of these revenue sources is expected to generate \$338.2 million for the 2017-19 biennium and \$3.8 billion for transportation over the next five biennia.
- HB 2391 is the product of the health care funding work group. Through a combination of assessments and transfers, HB 2391 provides an estimated \$605 million for the newly created Health System Fund in the 2017-19 biennium. Hospital assessments are expected to produce \$249 million for the fund. Additional assessment revenue from insurers (\$78 million), managed care organizations (\$104 million) and Public Employee Benefit Board (\$12 million) is allocated to the fund. The

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<sup>4</sup> The language creating the transfer mechanism was included in SB 5520 (2009) and then subsequently modified during the February 2010 special session in SB 5565.

remaining revenue comes from an intergovernmental agreement with OHSU and transfers from other health related accounts. Revenue from the fund is then available to match with federal dollars.

- HB 2830 is the product of the revenue reform work group. Although HB 2830-4 did not have sufficient support to meet the 3/5 majority constitutional voting requirement for a bill that raises revenue, it represents the most detailed revenue reform plan developed by the Legislature since 1993 when Measure 1 was referred to voters and defeated. HB 2830-4 would have fundamentally changed the method Oregon uses to tax business and generated significant revenue for education. The key elements of the bill (HB 2830-4 is the most refined version) are the establishment of a commercial activity tax based on gross receipts and the elimination of the corporate income tax. The combination of changes contained in the -4 version of HB 2830 would have generated net revenue of \$616 million in the 2017-19 biennium, \$914 million in the 2019-21 biennium and over \$1 billion per biennium after that. The bill dedicated the revenue from the commercial activity tax to education programs.
- SB 28 changes the method used to apportion corporate income to Oregon from the sale of intangible property (primarily services). The current method is based on where the service is performed or produced. Under SB 28, income from intangibles would be based on where the customer is located. This change brings the apportionment method for intangibles in-line with the method used for tangible property. SB 28 will reduce taxes for some corporations and increase them for others based on where their services are performed compared to where their markets are. Based on the experience of other states that have made the switch, SB 28 will result in a net increase of \$5.5 million in revenue for the 2017-19 biennium and \$11.1 million in the 2019-21 biennium.
- HB 2066 is the biennial omnibus tax credit bill. The measure extends and modifies existing credits and establishes new credits. Most significantly, the bill extends and modifies the affordable housing lender's credit and the rural medical provider credit. It also extends a series of minor credits. Perhaps most importantly the bill did not extend several significant tax credits, including the research and development credit, the residential energy credit and the e-commerce zone credit. Normally the omnibus credit bill reduces revenue. However, HB 2066 generates a net increase in revenue for the 2017-19 biennium of \$1 million. It does reduce revenue by \$2.7 million in the following biennium.

## **Other Revenue Sources**

### Tobacco Master Settlement Agreement Funds

On November 23, 1998, 46 states and the four largest United States tobacco manufacturers entered into an agreement known as the Master Settlement Agreement (MSA). For release from past and present smoking-related claims by the states and for a continuing release of future smoking-related claims, the manufacturers agreed to make annual payments to the states in perpetuity. The state receives payments by April 15<sup>th</sup> of each year.

The State of Oregon revenues are deposited to the Tobacco Settlement Funds Account administered by the Department of Administrative Services. During the 2017 session, the Legislature allocated the funds available from the account in SB 5539. The amounts included in this bill are based on resources in the amount of \$203.1 million projected to be available for the 2017-19 biennium. About \$65 million of this total is a one-time distribution related to the settlement of the dispute with the tobacco companies regarding the Non-Participating Manufacturers Adjustment for 2004-2015.

The Legislature approved the following allocations from the Tobacco Settlement Funds Account:

- \$30,906,415 to the DAS, Oregon Health and Science University Bond Fund to pay debt service and administrative fees on the Oregon Opportunity Bonds.
- \$154,844,700 to the Oregon Health Authority for the Oregon Health Plan.
- \$13,841,200 to the Oregon Health Authority for community mental health programs.
- \$3,564,100 to the Department of Education for physical education-related grants.

ORS 293.537 authorizes DAS to transfer sufficient funds from the Tobacco Settlement Funds Account for the enforcement of ORS 180.400 to 180.455. The Department of Justice's 2017-19 budget includes \$1,822,901 Other Funds expenditure limitation for this enforcement of the Non-Participating Manufacturer requirements under the MSA.

### Oregon Marijuana Account

Revenues from the state marijuana taxes are deposited into the Oregon Marijuana Account. The Department of Revenue transfers 10% of Account funds to cities and 10% to counties, by formulas established in statute. The remaining 80% of moneys forecasted to be received was allocated by the Legislature to state programs in SB 5529. No distributions were made during the 2015-17 biennium, so distributions made during the 2017-19 biennium include revenues from both biennia.

The revenue forecast for the Oregon Marijuana Account for the 2017-19 biennium totals \$202.5 million. The Department of Revenue will distribute \$40.5 million to cities and counties. The remaining \$162 million are allocated as directed under statute:

- \$81 million to the State School Fund (40%).
- \$40.5 million to the Mental Health Alcoholism and Drug Services Account (20%).
- \$30.4 million to the State Police Account (15%).
- \$10.1 million to alcohol and drug abuse prevention, early intervention and treatment services (5%).

### Criminal Fine Account

The Criminal Fine Account (CFA) includes criminal fines and other financial penalties imposed on conviction for felonies, misdemeanors, and violations other than parking infractions. Revenues are collected by the courts, including by the Judicial Department for the circuit courts, and by individual municipal (city) and justice (county) courts, and remitted to the Department of Revenue. During the 2017 session, the Legislature allocated resources from the Criminal Fine Account in SB 5529.

ORS 137.300 establishes the CFA and identifies program priorities, but does not specify a funding level for the programs. Expenditure limitations for programs receiving CFA allocations are established in the separate appropriation bills for the various receiving agencies. Once the specific program allocations have been made, any remaining CFA revenues are deposited into the General Fund.

The May 2017 revenue forecast projects that CFA revenues in the 2017-19 biennium will total \$132.4 million. The passage of HB 2409 and HB 2797 during the 2017 session increased CFA revenues to \$143.8 million. This represents a 20.9% increase over the prior biennium level. The Legislature approved CFA allocations to agencies totaling \$77 million (a 0.9% increase over the prior biennium), which leaves a balance of \$66.8 million to be deposited into the General Fund (a 56.7% increase over the 2015-17 biennium). The specific allocations authorized are outlined in the following table.

## CRIMINAL FINE ACCOUNT ALLOCATIONS

**2017-19 Biennium Criminal Fine Account Revenues** **\$ 143,803,894**

**Criminal Fine Account Allocations:**

***Department of Public Safety Standards and Training***

Operations	\$ 32,584,757
Public Safety Memorial Fund	<u>200,030</u>
<b>Subtotal:</b>	<b><u>\$ 32,784,787</u></b>

***Department of Justice***

Child Abuse Multidisciplinary Intervention (CAMI)	\$ 10,679,854
Regional Assessment Centers	815,961
Criminal Injuries Compensation Account (CICA)	9,095,393
Child Abuse Medical Assessments	<u>690,667</u>
<b>Subtotal:</b>	<b><u>\$ 21,281,875</u></b>

***Department of Human Services***

Domestic Violence Fund	\$ 2,239,608
Sexual Assault Victims Fund	<u>518,399</u>
<b>Subtotal:</b>	<b><u>\$ 2,758,007</u></b>

***Oregon Health Authority***

Emergency Medical Services & Trauma Services	\$ 331,824
Alcohol & Drug Abuse Prevention	42,884
Law Enforcement Medical Liability Account (LEMLA)	1,354,360
Intoxicated Driver Program	<u>4,323,000</u>
<b>Subtotal:</b>	<b><u>\$ 6,052,068</u></b>

***Oregon Judicial Department***

State court security and emergency preparedness	\$ 3,588,745
County court facilities security	2,824,208
Capital improvements for courthouses and other state court facilities	-
State Court Technology Fund	<u>3,110,000</u>
<b>Subtotal:</b>	<b><u>\$ 9,522,953</u></b>

***Oregon State Police***

Driving Under the Influence Enforcement	<u>\$ 351,572</u>
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***Department of Corrections***

County correction programs and facilities, alcohol & drug programs	<u>\$ 4,257,421</u>
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**Total Allocations: \$ 77,008,683**

**Transfer to the General Fund: \$ 66,795,211**

## Fees and Fee Changes

The Legislature considered several pieces of legislation that contemplated the establishment or the modification of fees charged by state agencies during the 2017 session. For the purposes of this document, only those fee changes that were approved by the Legislature, or that were provided by the Department of Administrative Services as part of the report of fees to the Legislative Assembly under ORS 291.060 prior to the beginning of the 2017 session, are included in this section. Although not included in this section, additional fee changes were considered in a number of bills that were not adopted by the Legislature and some bills that were adopted may have contained language allowing for the establishment of fees by administrative rule, but the exact amount of the fee was neither explicitly established or included in the legislatively adopted budget and will need to be ratified following the adoption of the fee by administrative rule.

Fees are defined in statute “as an amount imposed and collected by a state agency to defray or recover the costs of administering the law involved in providing a service to the public and used by the state agency to carry out or enforce a law under its jurisdiction,” but does not include fines, civil penalties, or court judgments; proceeds from the sale of products or charges for rent, leases, or other real estate transactions; interest and other charges for bonding and loan transactions; assessments between agencies; copying charges for public records; or charges for attendance at informational seminars.

As noted above, there is a process established in statute for the ratification of fees by the Legislature when those fees are not directly established in statute. In cases where an agency is granted the authority to establish or increase fees by administrative rule, any new fees or fee increases adopted through these means:

- Are not effective until approved in writing by the Director of the Department of Administrative Services for executive branch agencies (President and Speaker for legislative branch agencies; Chief Justice for judicial branch agencies).
- Must be reported by the state agency to the Director of the Department of Administrative Services within 10 days of their adoption.
- Are rescinded upon adjournment of the next regular session of the Legislature, unless otherwise authorized by enabling legislation (fee ratification bill) setting forth the approved fees.

There are a small number of specific fees, charges, and assessments that are exempt from the fee ratification process. Additionally, a general exemption to the fee ratification process is applied to new or increased fees anticipated in the budgeting process for an agency, revenues from which are included in the legislatively adopted budget for the agency. There are three general methods for the approval of the establishment or modification of fees:

- Direct statutory establishment or modification of the fee.
- Ratification of a fee established or modified by administrative rule.
- Adoption of an agency budget that includes anticipated revenues from fee changes.

The following table provides the number of requested fee actions that were either approved or denied, by agency, separated into each of the enabling categories. Although the table attempts to reflect the number of individual fee changes, some individually counted fees may, in fact, be changes to fee schedules containing multiple individual fees or are single fees broken into multiple components.

	Statutory Change	Fee Ratification Bill	Agency Budget Bill	Total Fee Changes
<b>Approved</b>				
Board of Licensed Professional Counselors and Therapists			2	2
Board of Medical Imaging	1	1		2
Construction Contractors Board			2	2
Department of Agriculture		26		26
Department of Environmental Quality	1		259	260
Department of Human Services	25			25
Department of Transportation	41			41
Employment Relations Board	4			4
Higher Education Coordinating Commission		1		1
Judicial Department	29			29
Medical Board			2	2
Oregon Health Authority	12	19	71	102
Oregon Liquor Control Commission		5		5
Parks and Recreation Department			9	9
Public Utility Commission	1			1
Real Estate Agency	18			18
Water Resources Department	70			70
<b>Total Approved</b>	<b>202</b>	<b>52</b>	<b>345</b>	<b>599</b>
<b>Denied</b>				
Marine Board	12			12
Oregon Liquor Control Commission	18			18
<b>Total Denied</b>	<b>30</b>			<b>30</b>
<b>Total</b>	<b>232</b>	<b>52</b>	<b>345</b>	<b>629</b>

There were two proposed fee increases that were not approved by the Legislature. Fee changes for the Marine Board and the Oregon Liquor Control Commission were assumed in the Governor’s recommended budget but the required statutory changes were not approved by the Legislature.

The fee changes proposed for the Marine Board were contained in HB 2320 which was to create a “non-motorized boat” program; this bill did not pass. No legislation was introduced for the proposed fee changes for the Liquor Control Commission despite the reliance on the additional General Fund revenue from these fee changes in the Governor’s recommended budget. The legislatively adopted budget did not assume any additional General Fund from liquor fee changes.

Change actions for fees fall into the four general categories of increases, decreases, establishments, and abolishments. The following table lists the number of fee changes and anticipated revenue impact for the 2017-19 biennium for each agency, by fee change category, for the 599 fee changes approved during the 2017 session.

2017-19 Revenue Impact of Fee Changes										
	Establish		Increase		Decrease		Abolish		Total	
	Number	Anticipated Revenue Impact	Number	Anticipated Revenue Impact	Number	Anticipated Revenue Impact	Number	Anticipated Revenue Impact	Number	Anticipated Revenue Impact
Board of Lic. Prof. Counselors & Therapists			2	\$ 375,040					2	\$ 375,040
Board of Medical Imaging	2	\$ 26,300							2	\$ 26,300
Construction Contractors Board					2	\$(4,000,000)			2	\$ (4,000,000)
Department of Agriculture	2	\$ 6,664	24	\$ 695,544					26	\$ 702,208
Department of Environmental Quality	1	\$ -	259	\$ 1,514,409					260	\$ 1,514,409
Department of Human Services	7	\$ 56,250	18	\$ 1,037,910					25	\$ 1,094,160
Department of Transportation			40	\$337,803,552	1	\$ (1,151)			41	\$337,802,401
Employment Relations Board			3	\$ 10,950	1	\$ (875)			4	\$ 10,075
Higher Education Coordinating Commission	1	\$ 32,000							1	\$ 32,000
Judicial Department			28	\$ 3,548,626	1	\$ (90,437)			29	\$ 3,458,190
Medical Board					2	\$ (24,292)			2	\$ (24,292)
Oregon Health Authority	33	\$ 21,577,020	63	\$ 2,753,615	2	\$ (394,660)	4	\$ -	102	\$ 23,935,975
Oregon Liquor Control Commission	5	\$ 1,086,350							5	\$ 1,086,350
Parks and Recreation Department			9	\$ 1,226,012					9	\$ 1,226,012
Public Utility Commission	1	\$ 242,996							1	\$ 242,996
Real Estate Agency	4	\$ 168,150	14	\$ 1,506,730					18	\$ 1,674,880
Water Resources Department			70	\$ 508,010					70	\$ 508,010
<b>Total</b>	<b>56</b>	<b>\$ 23,195,730</b>	<b>530</b>	<b>\$350,980,398</b>	<b>9</b>	<b>\$(4,511,414)</b>	<b>4</b>	<b>\$ -</b>	<b>599</b>	<b>\$369,664,714</b>

The most significant fee change for 2017-19, in terms of revenue, is for the Department of Transportation. The transportation funding package, HB 2017, was enacted to begin addressing the structural gap between statewide transportation needs and funding. The bill increases existing taxes and fees dedicated to the State Highway Fund, and establishes new taxes to support multimodal transportation. The Legislative Revenue Office estimates that increases taking effect January 1, 2018 will generate \$334.2 million (net of collection costs) for the State Highway Fund during the 2017-19 biennium. A portion (\$233 million) of the additional State Highway Fund revenues are to be distributed: as fuel revenue transfers to certain other state agencies; to funding Safe Routes to school; to local governments for transportation project funding; to the Oregon Travel Information Council for operation of roadside rest areas; and for payment of bonding projects. The remaining additional funding is dedicated to transportation system preservation programs including: bridges; seismic improvements related to highways and bridges; replacement and maintenance of highway pavement and culverts; and for state highway maintenance, preservation, and safety improvements.

Several new fees and fee increases were included in the Oregon Health Authority (OHA) budget. In the Office of Health Policy and Analytics, Health Information Technology fees related to the Oregon Common Credentialing program were established. These fees are expected to generate about \$20.8 million during the 2017-19 biennium. In Public Health, new fee increases were included for Newborn Screening. OHA also increased and redefined several fees relating to the review of Health Care Facility Plan reviews and In-Home Health Care Facility licensing, segmenting these comprehensive fees into more specifically applied fees. OHA had originally reported these changes as an abolishment of the old singular fee and establishment of the new specific fees. Since these are not actually new fees, but rather just a segmentation and an increase of the existing fees, they are reported as fee increases in the table above. The four fees that were abolished by OHA had applied to construction plan review for health care facilities with project costs of \$30 million and above. Those fees have been consolidated into a broader project cost range with no anticipated impact on revenues.

In addition, fees that were increased or established during the interim were ratified to continue for the Oregon Environmental Laboratory Accreditation and the Toxic-Free Kids Act. These fees are expected to

generate approximately \$3.7 million in additional revenue during the 2017-19 biennium. Fees were reduced by 50% for the Immunization Alert program.

Judicial Department fee changes were included in HB 2795. The measure increased fees in more than 20 categories including filing, motion, trial, settlement conference, writ of garnishment, and marriage solemnization fees. The increases range from \$1 for the document handling fee to \$53 for civil filing. The most revenue (\$540,000) is generated from a \$14 increase in domestic relations action filings. The bill also changed the percentage of court fee revenues that the Judicial Department retains for deposit into the State Court Technology Fund from 4.75% to 8.85%.

Construction Contractors Board licensing revenues have rebounded sharply due to a strong economy, leading to a projected beginning fund balance of \$9.6 million in the 2017-19 biennium, which exceeds the needs of the agency. As a result, the agency is temporarily reducing its main contractor license fee, from \$325 to \$250 per biennium, which is projected to reduce fee revenues by \$2.8 million in the 2017-19 biennium. The agency is also eliminating its fee for continuing education courses starting in January 2018, further reducing revenues by \$1.2 million in the biennium.

Fee changes enacted by Oregon Liquor Control Commission via administrative rule related to marijuana producers during the 2015-17 interim were ratified by the Legislature in SB 5545. The new fees established annual licensing fees for marijuana growers and wholesalers, and established a fee for changes to packaging or labels. The fees are anticipated to generate about \$1.1 million during the 2017-19 biennium.

Additional information on fee changes and their associated revenues can be found in Revenue Impact Statements, Fiscal Impact Statements, or Budget Reports for the various pieces of enabling legislation. The following table presents the number of approved fee changes and estimated revenue, by agency and bill number, for each of the three types of enabling legislation.

	Number	Anticipated 2017-19 Revenue Impact
<b>Agency Budget Bill</b>		
Board of Licensed Professional Counselors and Therapists SB 5513	2	\$ 375,040
Construction Contractors Board SB 5511	2	\$ (4,000,000)
Department of Environmental Quality SB 5518	259	\$ 858,085
Medical Board HB 5023	2	\$ (24,292)
Oregon Health Authority HB 5026	71	\$ 22,633,962
Parks and Recreation Department HB 5028	9	\$ 1,226,012
<b>Legislation Required</b>		
Board of Medical Imaging HB 2267	1	\$ 1,200
Department of Environmental Quality HB 2268	1	\$ 656,324
Department of Human Services HB 2661	2	\$ 56,250
HB 2684	3	\$ 128,250
HB 3359	20	\$ 909,660
Department of Transportation HB 2017	41	\$ 337,802,401
Employment Relations Board HB 2263	2	\$ 875
HB 2264	2	\$ 9,200
Judicial Department HB 2795	29	\$ 3,458,190
Oregon Health Authority SB 53	12	\$ 419,980
Public Utility Commission SB 84	1	\$ 242,996
Real Estate Agency SB 68	18	\$ 1,674,880
Water Resources Department HB 2295	69	\$ 470,010
HB 2296	1	\$ 38,000
<b>Ratification</b>		
Board of Medical Imaging SB 5531	1	\$ 25,100
Department of Agriculture SB 5503	26	\$ 702,208
Higher Education Coordinating Commission SB 5525	1	\$ 32,000
Oregon Health Authority HB 5027	19	\$ 882,033
Oregon Liquor Control Commission SB 5545	5	\$ 1,086,350
<b>Grand Total</b>	<b>599</b>	<b>\$ 369,664,714</b>

## Program Area Summaries

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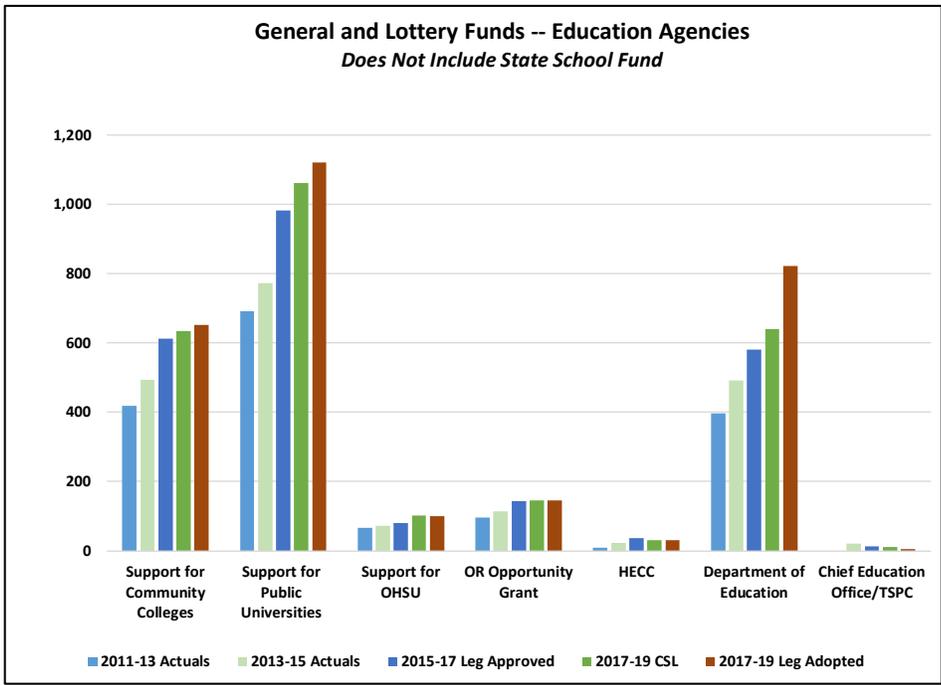
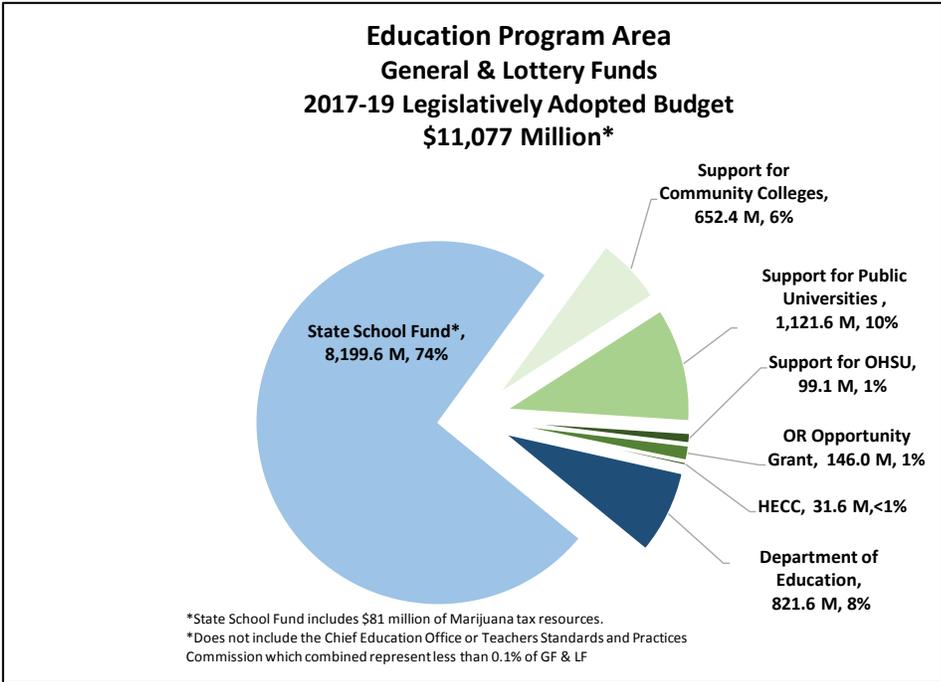
### EDUCATION PROGRAM AREA

The Education program area includes state operated or financed activities serving children or students from early education through post-secondary education. This P-20 scope includes:

- Early childhood programs which are administered by the Early Learning Division in the Department of Education (ODE) and include child care assistance and regulation, Oregon Prekindergarten, Healthy Start, Relief Nurseries, Preschool Promise, and support for Early Learning Hubs which are responsible for coordination of programs at the local level.
- Kindergarten through 12<sup>th</sup> grade programs includes the State School Fund (SSF) which is the primary funding sources for School Districts and Education Service Districts; licensing and regulation of teachers and other education professionals; specific K-12 funding streams through ODE's Grant-in Aid programs; and the monitoring and distribution of Federal Funds, including programs related to the Individuals with Disabilities Education Act, Every Student Succeeds Act (ESSA) and nutrition-related programs.
- Youth development programs administered through ODE that include Juvenile Crime Prevention Programs, the federal Title XX Youth Investment Program, and other grant programs.
- Post-Secondary education programs administered at the state level through the Higher Education Coordinating Commission (HECC) that includes funding for the community college system, Oregon Health and Science University (OHSU), the seven public universities, and student financial aid programs through the Office of Student Access and Completion.

Over the past six years there have been several organizational changes. These changes include the establishment of HECC, the move toward a more independent public university system, and the creation of the Chief Education Office (formerly the Oregon Education Investment Board, or OEIB). As mentioned above, early learning programs and youth development programs were consolidated into ODE as new divisions.

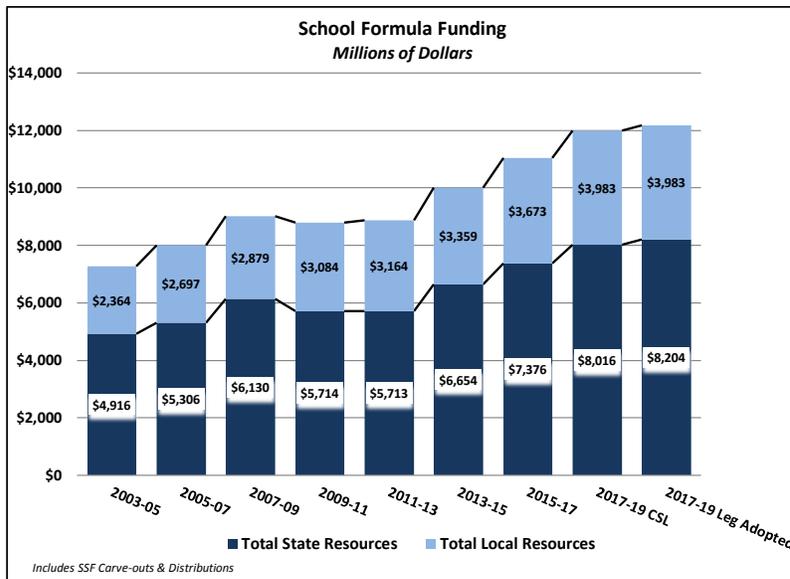
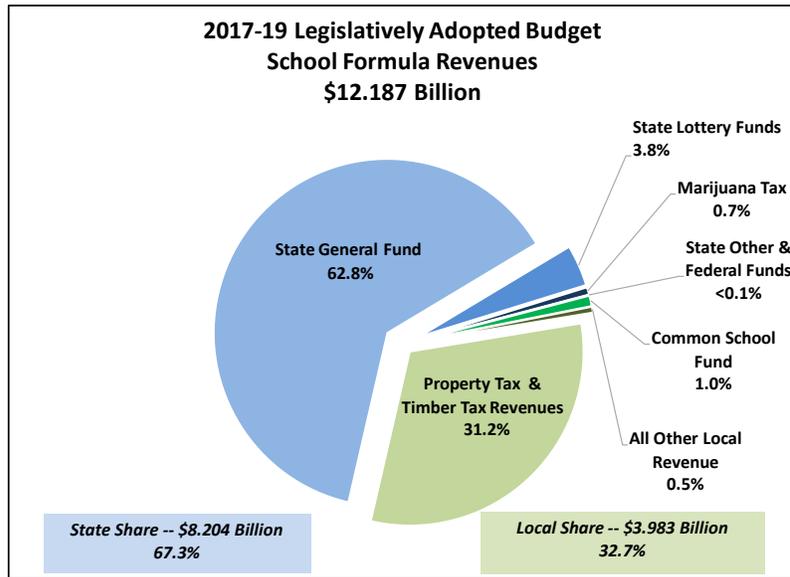
The 2017-19 legislatively adopted General Fund and Lottery Funds budget for the Education program area is \$10.996 billion. This is an increase of \$1.17 billion (or 11.9%) from the 2015-17 legislatively approved budget. The total funds budget of \$13.951 billion reflects a 7% increase over the prior biennium. The SSF, as demonstrated in the first chart below, represents 74% of the General Fund and Lottery Funds in the Education program area, slightly less than the 75% in 2015-017. The SSF's share of education expenditures increases slightly when the dedicated marijuana tax revenue is included in the total as the pie chart below demonstrates. The second chart compares the non-SSF Education program area agencies' budgets from 2011-13 actual expenditures through the 2017-19 legislatively adopted budget. The SSF historic spending is outlined in the following section. The significant growth in the ODE budget for the 2015-17 legislatively adopted budget is primarily due to the addition of \$170 million General Fund for implementation of Ballot Measure 98.



**State School Fund**

The 2017-19 legislatively adopted budget includes \$8.204 billion total funds (\$7.65 billion General Fund, \$464.8 million Lottery Funds, and \$81 million dedicated marijuana tax revenues) for the State School Fund (SSF) which makes up the state portion of the amount distributed to School Districts and Education Service Districts (ESDs) through the school funding formula. The 2017-19 budget represents an \$827.6 million (or 11.2%) increase in total funds for the SSF over the amount available in 2015-17. As with the 2015-17 biennium, no additional funding from the Education Stability Fund or the Oregon Rainy Day Fund is included in the SSF for 2017-19. Funding from the SSF will be split evenly between the two school years of the biennium. An estimated \$3.9 million of the SSF is assumed to cover the payments required under the Local Option Equalization Grants.

Overall, general purpose funding for School Districts and ESDs depends on both the state contribution through the SSF and the contributions of local revenue including property taxes, timber revenue, and distributions from the Common School Fund. The first chart below shows general state and local resources that are part of the calculation of the formula distribution for 2017-19 which totals \$12.187 billion. The second chart shows the funding trend and the split between state and local revenues over several biennia.



There were relatively minor changes to the school funding formula during the 2015 session. Such changes include:

- Continuing to carve-out funding for the Network on Quality Teaching and Learning (\$39 million), but reducing the statutory funding escalator from equal to the overall growth in the SSF to the inflation rate used in determining CSL for state agency budgets.
- Continuing the carve-out for school nutrition programs established in 2015 (\$2.5 million).

- Further reducing the amount designated for School Facilities grants from \$9 million per biennium to \$7 million, and allocating the \$2 million difference for the Healthy School Facilities Fund for grants for lead testing (effective starting in the 2019-21 biennium).

### **Department of Education**

The budget for the Department of Education (not including the State School Fund) includes central operations, the School for the Deaf, Youth Corrections and Juvenile Detention Education Programs, K-12 Grant-in-Aid support to local programs, Common School Fund distributions, early learning programs, and youth development programs.

The 2017-19 legislatively adopted budget includes General Fund and Lottery Funds of \$821.6 million, which is \$240.1 million (or 41.3%) greater than the 2015-17 legislatively approved budget. Much of this growth is due to the \$170 million General Fund investment relating to Ballot Measure 98, which established the High School Graduation and College and Career Readiness Act. All the \$651,225 in Lottery Funds are for debt service payments for bonds issued for school district improvements. These bonds will be paid off in the 2019-21 biennium. The total funds budget of \$2.823 billion is 15.4% greater than the 2015-17 amount, primarily due to Ballot Measure 98. The budget includes 551 positions (537.54 FTE).

The largest share of this budget (84% of total funds) is paid out to local school districts, Education Service Districts (ESDs), and other entities as Grant-in-Aid payments for educational services, as well as for early learning and youth development programs. While some of these programs are competitive grants, most of them are awarded based on criteria set in statute or by the federal government based on criteria such as income, disability, or educational need. The following table summarizes these payments.

	2015-17 Leg. Approved		2017-19 Leg. Adopted	
	General Fund	Total Funds	General Fund	Total Funds
<b>K-12 GRANT-IN-AID PROGRAMS</b>				
<b>Student Success Grants</b>				
Ballot Measure 98 Grants	\$ -	\$ -	\$ 170.00	\$ 340.00
Chronic Absenteeism (SB 183)	\$ -	\$ -	\$ 6.24	\$ 6.24
Trauma Informed (SB 183)	\$ -	\$ -	\$ -	\$ 1.00
Dyslexia	\$ -	\$ -	\$ -	\$ 1.90
Youth Corrections Programs	\$ -	\$ -	\$ -	\$ 19.42
Vision Screenings (SB 187)	\$ -	\$ -	\$ 1.00	\$ 1.92
Other Student Success Grants	\$ 8.44	\$ 71.07	\$ 7.28	\$ 79.02
<b>Total Student Success Grants</b>	<b>8.44</b>	<b>71.07</b>	<b>184.52</b>	<b>449.49</b>
<b>STEM and CTE Related Programs</b>				
CTE Revitalization Grants	\$ 9.00	\$ 9.00	\$ 10.33	\$ 10.33
STEM/CTE Career Pathway Fund	\$ 8.75	\$ 8.75	\$ 8.17	\$ 8.17
Other STEM and CTE Related Programs	\$ 14.33	\$ 45.45	\$ 10.27	\$ 42.46
<b>Total STEM and CTE Related Programs</b>	<b>32.08</b>	<b>63.20</b>	<b>28.77</b>	<b>60.96</b>
<b>Nutritional Programs</b>	<b>6.92</b>	<b>397.32</b>	<b>6.59</b>	<b>394.60</b>
<b>Educator Effectiveness &amp; Professional Development</b>				
School District Collaboration Grant - NTQL	\$ 1.00	\$ 16.00	\$ -	\$ 13.50
Mentoring Grants - NTQL	\$ -	\$ 10.00	\$ -	\$ 11.50
Other Educator Effectiveness & Professional Development	\$ 5.70	\$ 51.84	\$ -	\$ 50.35
<b>Total Educator Effectiveness &amp; Professional Development</b>	<b>6.70</b>	<b>77.84</b>	<b>-</b>	<b>75.35</b>
<b>Closing the Achievement Gap</b>				
African American Education Plan	\$ 2.76	\$ 2.76	\$ 6.00	\$ 6.00
Tribal Attendance	\$ 1.50	\$ 1.50	\$ 1.55	\$ 1.55
Native American Curriculum	\$ -	\$ -	\$ 1.80	\$ 1.80
English Language Learners	\$ -	\$ 10.06	\$ -	\$ 10.43
Every Student Succeeds Act (ESSA) Programs	\$ -	\$ 359.11	\$ -	\$ -
Other Closing the Achievement Gap Programs	\$ 0.75	\$ 5.90	\$ (0.00)	\$ 376.90
<b>Total Closing the Achievement Gap</b>	<b>5.01</b>	<b>379.33</b>	<b>9.35</b>	<b>396.68</b>
<b>Special Education Programs</b>				
Early Intervention/Early Childhood Special Ed	\$ 155.78	\$ 183.90	\$ 175.01	\$ 207.26
Long Term Care & Treatment, Hospital and Regional Programs	\$ 46.27	\$ 110.35	\$ 47.98	\$ 114.72
Blind & Visually Impaired	\$ 1.00	\$ 5.85	\$ 1.00	\$ 6.04
Individuals with Disabilities Act (IDEA)	\$ -	\$ 254.26	\$ -	\$ 261.60
<b>Total Special Education Programs</b>	<b>203.05</b>	<b>554.36</b>	<b>224.00</b>	<b>589.62</b>
<b>TOTAL K-12 GRANT-IN-AID PROGRAMS</b>	<b>262.20</b>	<b>1,543.12</b>	<b>453.23</b>	<b>1,966.70</b>
<b>EARLY LEARNING GRANT-IN-AID</b>				
Oregon Prekindergarten/Early Head Start	\$ 146.90	\$ 146.90	\$ 152.33	\$ 152.33
Healthy Families	\$ 24.00	\$ 28.08	\$ 24.84	\$ 29.50
Office of Child Care Programs	\$ 2.28	\$ 134.66	\$ 2.08	\$ 125.17
Relief Nurseries	\$ 8.60	\$ 10.60	\$ 8.92	\$ 10.99
Kindergarten Partnership & Innovation Grants	\$ 9.12	\$ 9.12	\$ 9.07	\$ 9.07
Early Learning HUBs	\$ 16.24	\$ 19.35	\$ 14.97	\$ 17.77
Preschool Promise	\$ 17.54	\$ 17.54	\$ 35.73	\$ 35.73
<b>TOTAL EARLY LEARNING</b>	<b>224.68</b>	<b>366.25</b>	<b>247.94</b>	<b>380.56</b>
<b>YOUTH DEVELOPMENT GRANT-IN-AID</b>				
Juvenile Crime Prevention	\$ 5.83	\$ 8.90	\$ 5.88	\$ 6.63
Gang Prevention & Intervention Grants	\$ -	\$ -	\$ 0.75	\$ 0.75
Youth & Community	\$ 2.89	\$ 8.89	\$ 3.25	\$ 9.47
Youth & Innovation	\$ 3.30	\$ 3.30	\$ 3.17	\$ 3.17
Community Schools	\$ 0.10	\$ 0.15	\$ 0.10	\$ 0.16
<b>TOTAL YOUTH DEVELOPMENT</b>	<b>12.11</b>	<b>21.24</b>	<b>13.15</b>	<b>20.18</b>

Major features and changes to the ODE budget for 2017-19 are outlined below:

- Voters passed Ballot Measure 98 in November 2016, which established the High School Graduation and College and Career Readiness Fund. Monies from the fund are to be used by school districts for Career and Technical Education (CTE), college-level education opportunities or accelerated learning, and for drop-out prevention. At least 85% of the funding dedicated for this purpose must be used for grades 9 to 12. For the 2017-19 biennium, the Legislature allocated \$170 million General Fund for this purpose. Because of accounting practices and the language establishing this Fund, another \$170

million Other Funds limitation was approved for the payments to the school districts. Eight positions (7.05 FTE) and \$1.8 million General Fund was added to the ODE budget for staffing related to this program.

- Funding of \$2 million General Fund was approved for a Tribal History and Sovereignty initiative which is planned to result in the development and roll-out of Native American related curricula. Grants totaling \$1.8 million will be made to the nine Tribal Governments in Oregon for their work, and the remaining \$200,000 will be used by ODE for statewide curriculum development and for professional development.
- General Fund in the amount of \$7.4 million was appropriated for an Absenteeism initiative to address an issue contributing to lower graduation rates and lower student progress. Of the total, \$6.2 million is for grants to school districts and \$1.2 million is for four positions (3.83 FTE) and other statewide costs of the initiative.
- With the passage of SB 182, the Educator Advancement Council is established to steer educator related professional development in the future. The 2017-19 biennium is a transition period as the Council and the related local networks are developed. The Network for Quality Teaching and Learning will continue for 2017-19, but will be replaced with the Council starting in 2019-21. Network funding comes from a “carve-out” from the State School Fund totaling approximately \$39 million and is primarily used for the Mentoring and School District Collaboration programs. New uses of the Network Funds for 2017-19 include \$1.9 million for offsetting school district costs relating to requirements around dyslexia and \$1 million for continuing trauma Informed pilot projects.
- Eighteen positions (18.00 FTE) were added to the Early Learning Division to meet new federal requirements for background checks for child care providers who were not subject to checks in the past. Offsetting these and other new positions, was the elimination of 15 positions that had been vacant for an extended period of time, or were identified as no longer needed by the agency.
- \$100 million of Article XI-P bonds were approved for 2017-19 for the Oregon School Capital Improvement Matching Program. This program provides matching grants to school districts for construction and remodeling of school facilities. In addition, \$4.3 million of Article XI-Q bonds was approved for deferred maintenance projects at the Oregon School for the Deaf.

### **Post-Secondary Education**

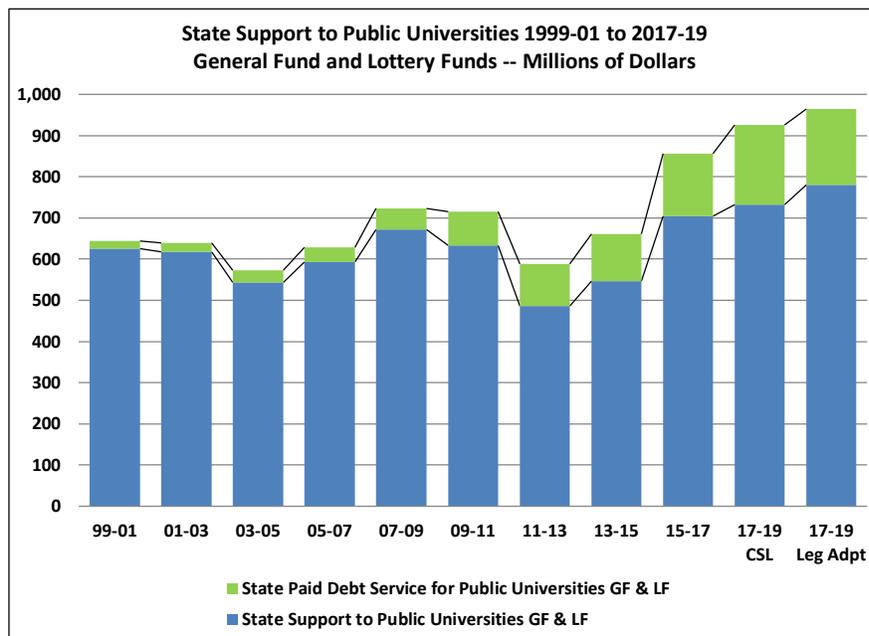
State funded post-secondary education resources are now almost entirely channeled through the budget of the Higher Education Coordinating Commission (HECC), including the seven public universities that previously made up the Oregon University System, the community college system, the other components of the former Department of Community Colleges and Workforce Development (CCWD), the Oregon Health and Science University (OHSU), and the Oregon Student Assistance and Completion office (formerly the Oregon Student Assistance Commission, or OSAC). Overall, the 2017-19 legislatively adopted budget for HECC is \$2.051 billion of General Fund and Lottery Funds, an increase of \$195 million (or 10.5%) from the 2015-17 legislatively approved budget.

#### State Support for Public Universities

State General Fund support for the seven public universities (formerly the Oregon University System) in the 2017-19 legislatively adopted budget totals \$1.057 billion and Lottery Funds total another \$64.1 million. This is an increase of \$138.3 million (or 14.1%) of combined General and Lottery Funds from the 2015-17 legislatively approved budget. Public universities are no longer subject to Other Funds expenditure limitation by the Legislature, but Other Funds resources of \$544.6 million are included in HECC’s budget for capital construction and bonding related costs (\$331.7 million), as well as for non-

state paid debt service on university self-support bonds (212.8 million Nonlimited). The State supported capital construction projects for public universities and community colleges are described in the State Bonding and Capital Construction section of this report.

General Fund support for the Public University Support program, which includes the instruction, research, some public service expenditures, and operating costs of the seven institutions, totals \$779.9 million, which is a \$73.5 million (or 10.4%) increase from the 2015-17 level. Most of this funding is for instruction, student support, and research. For 2017-19, this totals \$736.9 million, which represents a \$70 million increase over the amount available in 2015-17. General Fund support for the State Programs area, which includes support for programs with a statewide focus, special programs that cross institutional lines, and one-time projects totals \$43 million. State funding for debt service payments is \$153.2 million General Fund and \$31.9 million Lottery Funds, for a total of \$185.1 million in state paid debt for the 2017-19 biennium. This represents a 23.3% increase over 2015-17 debt service levels of \$150.1 million. The following graph illustrates the history of state support to public universities, as well as the increasing amount the state pays for debt service related to public universities.

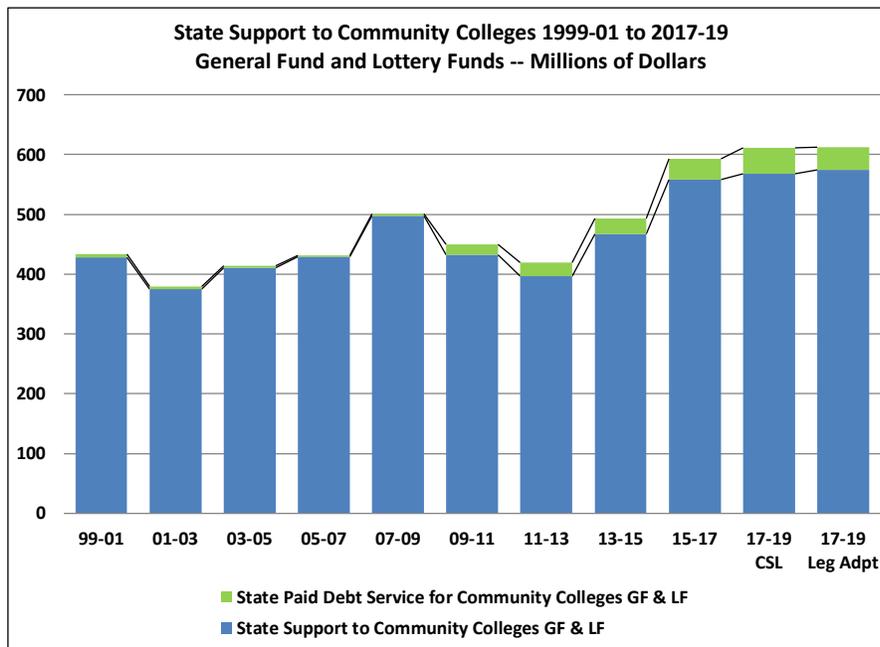


The Legislature increased General Fund support for the three Statewide Public Service programs (Agricultural Experiment Stations, the Extension Service, and the Forest Research Laboratory) at Oregon State University by \$5.9 million to \$124.4 million, which is 5% above 2015-17 budget levels. The passage of Ballot Measure 99 established the statewide Outdoor School program in the Extension Service. Funding of \$24 million Lottery Funds was approved which provides a phase-in for the program during 2017-19. Starting in 2019-21, the dedicated funding for the program should provide at least \$44 million each biennium. Sports Lottery funding was approved at \$8.24 million for the biennium (the same amount as in 2015-17), with Oregon State University and the University of Oregon each capped at \$1.03 million.

### State Support for Community Colleges

The 2015-17 legislatively adopted budget of \$652.4 million combined General Fund and Lottery Funds is \$40.1 million (or 6.6%) greater than the 2015-17 legislatively approved budget. This number includes the

Community College Support Fund, the Oregon Promise program, and debt service on state bonds issued on behalf of Community Colleges. The Support Fund is the largest portion of this budget representing \$570.3 million, an increase of \$20.3 million (or 3.7%) General Fund over the 2015-17 legislatively approved budget of \$550 million. Debt service accounts for \$38.5 million combined General and Lottery Funds, a small increase over the \$35.1 million in the 2015-17 budget. Finally, funding for the Oregon Promise program totals \$40 million General Fund. This amount represents two years of funding for the program, but is below the estimated \$48 million that would be necessary to keep operating the program based on the number of students in the program during the first two quarters of the 2017 academic year. Changes in the program’s eligibility requirements must be made to meet this level of funding. The following graph shows the funding for multi-biennia period for the programs described above.



State Support for the Oregon Health and Science University

The 2017-19 legislatively adopted budget for HECC includes \$77.3 million General Fund for the Oregon Health and Science University, which is almost the same level as in 2015-17 legislatively approved budget. The primary reason for this stable level of funding is the transfer of one year’s funding (\$3.2 million) for the Scholars for Health Oregon and the Primary Health Care Loan Forgiveness programs to the Oregon Health Authority (OHA). Starting in the second year of the biennium, OHA will administer these financial assistance programs with other health profession-related assistance programs. The remaining \$74 million General Fund are appropriated to HECC for supporting the Schools of Medicine, Nursing, and Dentistry; the Area Health Education Centers and Office of Rural Health; the Oregon Poison Center; and the Child Development and Rehabilitation Center (CDRC). An additional \$21.2 million General Fund is appropriated to the Department of Administrative Services for payment of debt service due in 2017-19 for the \$200 million in state bonds that have been issued for the Knight Cancer Institute.

Oregon Opportunity Grants

The 2015-17 legislatively adopted budget of \$146 million General Fund and Lottery Funds is an increase of \$3.2 million (or 2.2%) over the 2013-15 legislatively approved budget. The program was estimated to assist approximately 81,500 recipients at an average amount of \$1,665 (average between two academic

years) for the 2015-17biennium. For 2017-19, HECC estimates that it will serve 82,601 recipients at an average grant amount, between the two years, of \$1,766.

#### Other Programs of the Higher Education Coordinating Commission

The remainder of the HECC budget is composed of the Commission's staff (124 positions, 116.20 FTE), including those that had been part of the Department of Community Colleges and Workforce Development (CCWD), the Office of Student Assistance and Completion, the Private Career Schools program, and the Office of Degree Authorization. Also, included in this budget are the ASPIRE program, workforce development programs, and a variety of other smaller programs. Overall, the budget for this area is \$31.6 million General Fund and \$199.1 million total funds representing a decrease of 4.8 million General Fund. Major features of this budget for 2017-19 include:

- The former responsibilities for the Talent Council are transferred from the Employment Department to HECC under its Workforce Development program. A total of \$1 million General Fund is also transferred including \$500,000 for grants, \$150,000 for contracts including for strategic talent plans, and resources for one position (1.05 FTE). It is likely that the staffing responsibilities will be divided between more than one position.
- General Fund resources for Workforce Development programs are reduced by \$849,400 or by 10%. These programs include Industry Sector Strategies, Local Competitiveness Strategies, and Back to Work Oregon.
- Funding totaling \$1.4 million General Fund was included for policy bills for work around transfer of credits between post-secondary institutions, educational resources, and a taskforce on student mental health support.

#### **Chief Education Office**

The 2017-19 legislatively adopted budget of \$3.7 million General Fund for the Chief Education Office represents one year of funding for the Office. Another \$4 million is included as a special purpose appropriation to the Emergency Board representing resources for the second year of the biennium. The combined \$7.7 million is \$2.3 million less than the 2017-19 current service level. This agency is scheduled to sunset at the end of the 2017-19 biennium and there are ongoing discussions on the proper role for the office. The budget assumes 13 positions, a reduction from 21 positions in 2015-17. Funding for supporting compacts and various workgroup convenings were also reduced. The Statewide Longitudinal Data System (SLDS) is funded at \$3.4 million General Fund between the two years; the development of this system is scheduled to be completed in fall 2017.

#### **Teacher Standards and Practices Commission**

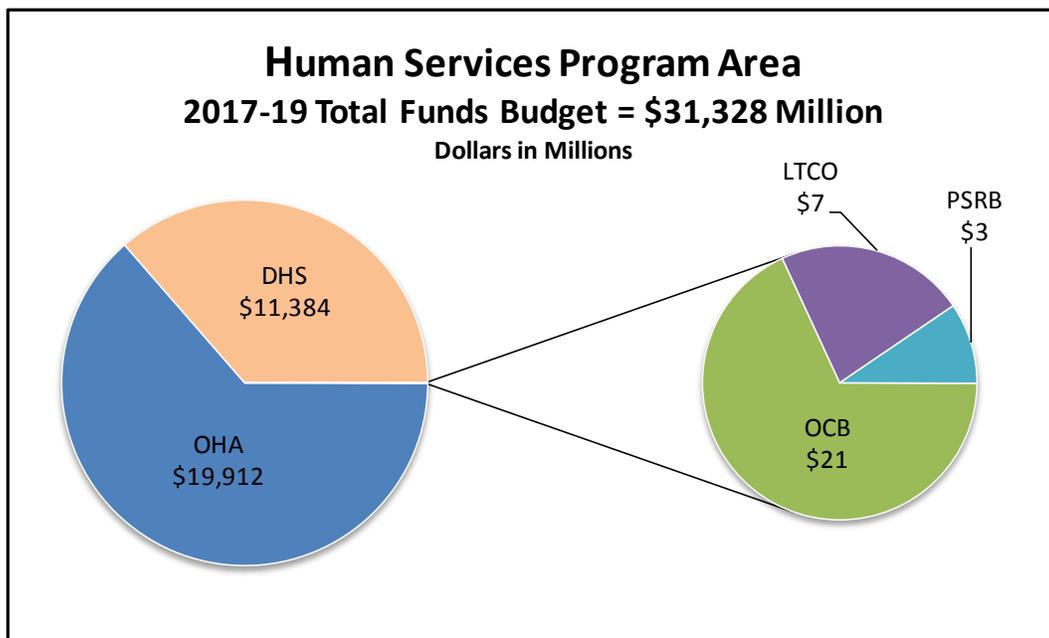
The operating budget for the Teacher Standards and Practices Commission (TSPC) for 2017-19 of \$7.3 million Other Funds is \$386,000 (or 5.6%) greater than the 2015-17 operating budget. The budget includes 27 positions (25.71 FTE). The budget establishes one new permanent Information Systems position, and continues four limited duration positions to continue to address the Commission's backlogs in licensing and investigations. The 2017-19 budget also includes \$1.7 million General Fund (and a corresponding Other Funds amount) to provide assistance to teachers in offsetting the costs of applying and working on receiving the National Board Certification.

#### **HUMAN SERVICES PROGRAM AREA**

The agencies in the Human Services program area work with local governments, private for-profit and non-profit organizations, communities, and individuals to provide cash and employment assistance,

nutrition assistance, medical coverage, long-term care, and other support to low-income individuals and families, including Oregonians with disabilities; intervene in cases of child abuse and neglect; offer treatment services to persons with mental disorders, alcohol or drug addictions; regulate the state’s public health system; supervise placements for those with mental illness who have been found guilty of committing a crime; and advocate for residents of long-term care facilities.

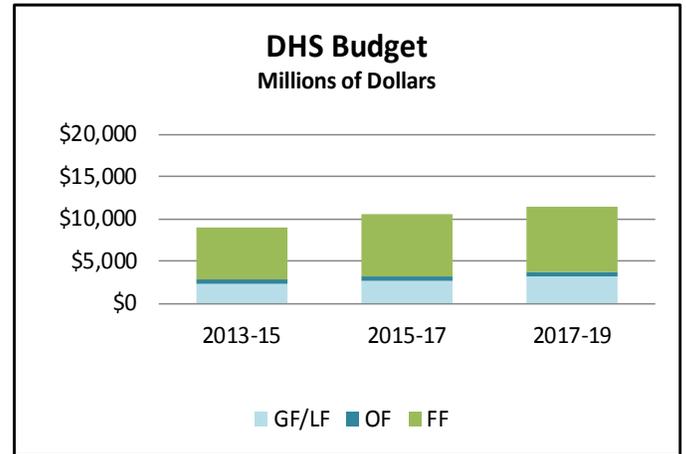
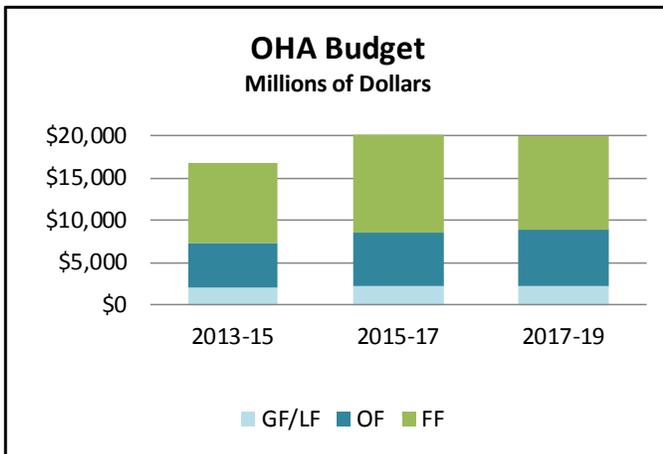
The 2017-19 legislatively adopted budget for the human services program area agencies totals \$5.320 billion combined General Fund and Lottery Funds, and \$31.328 billion total funds. This is an 8.4% increase over the 2015-17 legislatively approved budget in General Fund and Lottery Funds resources, and a 1.9% increase in total funds. The combined General Fund and Lottery Funds budget is \$410.3 million more than the 2015-17 biennial budget, while the total funds budget for the program area is a \$574.9 million increase from the 2015-17 biennium. The disproportionate percentage change (compared to General Fund and Lottery Funds) is largely driven by forecasted changes in the Medicaid caseload and by stabilization of the Affordable Care Act (ACA) expansion caseload in 2017-19 at a somewhat lower level than in 2015-17.



The Human Services program area budget includes \$7.294 billion Other Funds, with Public Employees’ Benefit Board/Oregon Educators Benefit Board resources making up just under half of the total. Other significant sources are Medicaid provider assessments, tobacco taxes, tobacco master settlement revenues, transfers from other agencies, and various fees.

At \$18.714 billion, Federal Funds include matching funds such as Medicaid, capped block grants such as Temporary Assistance to Needy Families (TANF), numerous other federal grants, and Nonlimited funds, primarily for Supplemental Nutrition Assistance Program (SNAP/food stamps) benefits.

The previous chart shows the 2017-19 total funds budget for the five agencies in this program area, while the following charts provide budget comparisons for the last three biennia for the Oregon Health Authority (OHA) and the Department of Human Services (DHS).



Budget highlights for each agency in the program area are described below.

**Oregon Health Authority**

The 2017-19 legislatively adopted budget for the Oregon Health Authority is \$2.186 billion General Fund, \$19.912 billion total funds, and 4,646 positions (4,591.03 FTE). This represents a 1.3% increase in General Fund and a decrease of 1.1% in total funds since 2015-17.

General Fund increased by only \$27.6 million over the 2015-17 level. This small increase was made possible by the increases in Other Funds revenues available to fund the Oregon Health Plan, as well as decreased caseload forecasts. Other Funds revenues used to replace General Fund include an increase in provider assessments, marijuana tax revenues, and one-time Tobacco Master Settlement revenues. Total funds decreased \$223.9 million from the 2015-17 level. This is largely driven by forecasted changes in the Medicaid caseload and, in particular, by the stabilization of the Affordable Care Act (ACA) expansion caseload in 2017-19 at a lower level than in 2015-17.

More detail follows on OHA’s four major program areas: Health Systems Division, Public Employees’ Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB), Public Health, and the Oregon State Hospital.

Health Systems Division

The Health Systems Division (HSD) ensures the transformation of health care in Oregon by delivering integrated physical, behavioral, and oral health care services; strengthening the coordinated care model; and improving health outcomes. It includes both Medicaid and non-Medicaid programs. HSD Medicaid delivers health services to over one million people, primarily through the Oregon Health Plan (OHP). It is funded with a combination of state funds and federal matching Medicaid funds. HSD Non-Medicaid includes funds for community mental health and addiction programs for low-income people who do not qualify for Medicaid or to provide services to OHP members that are not allowed by Medicaid. Services are delivered through county mental health agencies, coordinated care organizations, and community non-profit providers.

About 350,000 additional Oregonians have health care coverage through the Oregon Health Plan because of the Affordable Care Act (ACA) expansion that began in January 2014. For the 2017-19 biennium, the state will pay 5% of costs for that population during 2017, 6% during 2018, and 7% during

2019, with the rest funded by matching federal funds. Slightly over one million Oregonians receive their health care through the Oregon Health Plan.

The 2017-19 legislatively adopted budget is \$1.42 billion General Fund and \$14.54 billion total funds. This is a 1.5% total funds decrease from the 2015-17 level. The decrease in total funds is largely driven by forecasted changes in the Medicaid caseload and, in particular, by the stabilization of the ACA expansion caseload in 2017-19 at a lower level than in 2015-17. General Fund decreased by \$6.6 million between 2015-17 and 2017-19, as a result of Other Funds revenues available to fund the Oregon Health Plan, as well as decreased caseload forecasts.

The largest change in Other Funds in OHA is a result of a new package of provider assessments. HB 2391 revises the structure of the hospital assessment program, increasing the assessment rate paid by the larger hospitals; establishing an assessment for Type A and Type B rural hospitals, which are not currently part of the assessment program; exempting the Oregon Health and Science University (OHSU) from the assessment program; and creating a new insurer premium tax. As an alternative to the hospital assessment, OHSU and OHA will establish a separate intergovernmental transfer funding program collapsing several Medicaid payments into the new program. In 2017-19, these changes are expected to generate \$599 million in additional Other Funds revenue to support the Oregon Health Plan, which in turn generates \$1.8 billion in federal funding. This brings the total Oregon Health Plan funding from provider assessments and the new OHSU program to \$1.25 billion in the 2017-19 biennium.

The non-Medicaid budget maintains funding for community mental health and addiction programs. In addition, there is an increase of \$20.1 million in tobacco tax revenues available to fund mental health programs. These resources will be focused on programs that will help the state meet the goals outlined in the U.S. Department of Justice Performance Plan. The new recreational marijuana tax revenues of \$50.6 million are used to replace General Fund in community behavioral health programs.

#### Public Employees' Benefit Board / Oregon Educators Benefit Board

The Public Employees' Benefit Board (PEBB) contracts for and administers medical and dental insurance programs for state employees and their dependents, while the Oregon Educators Benefit Board (OEBB) contracts for insurance for various school, education service, and community college districts throughout the state. The 2017-19 legislatively adopted budget for PEBB is \$1.97 billion Other Funds, while the budget for OEBB is \$1.63 billion Other Funds. Both budgets were constructed to reflect a per-employee growth rate of 3.4% per year, which are consistent with Oregon's Medicaid waiver.

#### Public Health

Public Health provides a diversity of services to improve and protect the health of all Oregonians, and to support the goals of Oregon's health care transformation. The program manages more than 100 prevention-related programs that halt the spread of disease, protect against environmental hazards, and promote healthy behaviors. Much of the work is carried out by local county health departments which are supported in their work by Public Health staff. The 2017-19 legislatively adopted budget is \$594.6 million total funds, which is 5.9% less than the 2015-17 legislatively approved budget level. The General Fund budget of \$65.2 million is about 63% above the 2015-17 level of \$39.9 million. This increase is driven by the need to replace declining medical marijuana revenues with \$12.1 million General Fund, an investment in Public Health Modernization of \$5 million, and \$6.7 million in funding related to HB 3391 providing reproductive health services.

Generally, this budget maintains current program levels. Both the Contraceptive Care services (CCare) and the Breast and Cervical Cancer Screening budgets were reduced to account for lower caseload as a result of more Oregonians having health insurance. Both budgets are expected to fully fund caseload costs during the 2017-19 biennium. General Fund was reduced for the CAREAssist program and replaced with additional drug rebate revenues. The budget includes a reduction of \$3.6 million for tobacco prevention and cessation programs. Fees are increased for several programs within Public Health.

The Public Health budget was reduced by \$2.7 million Other Funds expenditure limitation related to SB 1057 which made changes to both the recreational and medical marijuana programs. A total of 14 positions will be eliminated halfway through the biennium.

### Oregon State Hospital

The Oregon State Hospital is an integral part of the statewide behavioral health system, providing psychiatric care for adults from all 36 counties at the Salem and Junction City campuses. The 2017-19 legislatively adopted budget is \$545.4 million total funds, which is 4.1% more than the 2015-17 legislatively approved budget level of \$524 million. The General Fund budget of \$450.3 million is 0.2% less than the 2015-17 level, as the hospital continues to generate increasing amounts of Other Funds revenue through Medicare billing. This revenue has been used to reduce the need for General Fund.

The budget maintains funding for all wards at the Salem campus, and four wards at Junction City. It maintains the closure of three currently unoccupied cottages and two unoccupied wards at the Junction City campus, as well as the two unoccupied cottages at the Salem campus.

### **Department of Human Services**

The 2017-19 legislatively adopted budget for the Department of Human Services is \$3.109 billion General Fund, \$11.384 billion total funds, and 8,349 positions (8,164.07 FTE). The budget is 14% General Fund and 7.5% total funds more than the agency's 2015-17 legislatively approved budget.

Some trends that influence demand on agency programs and its budget include a growing population of older adults, an increasing number of people with disabilities, more jobs returning but with lower wages, and an uneven pace of economic recovery, especially in rural Oregon.

About 20% of the net growth in General Fund is attributable to targeted spending, with the remainder tied primarily to mandated caseloads and maintaining existing services, while managing under federal changes or funding constraints. The budget continues core programs, adjusts for caseload changes, and adds new or expanded funding for some programs. Actions taken across programs to reduce General Fund need include cutting services and supplies spending, managing to a higher vacancy rate, eliminating long-term vacant positions, and making select program reductions.

The budget includes a reorganization of the Program Design Services division, which fully redistributes program functions and staffing, to other budget structures. With this change, a centralized information technology unit is still maintained and houses the bulk of the \$203.3 million total funds budget approved for the continued development and implementation of the ONE Integrated Eligibility and Medicaid Eligibility system project.

More detail follows for the agency's five major programs: Self Sufficiency, Child Welfare, Vocational Rehabilitation, Aging and People with Disabilities, and Intellectual and Developmental Disabilities.

### Self Sufficiency

The agency's Self Sufficiency programs assist low-income families by helping them become stable and self-supporting. Services focus on basic needs, such as food and shelter, but also include job training, employment assistance, parenting supports, health care, and child care. The legislatively adopted budget is \$346.3 million General Fund and \$3.101 billion total funds; this is an 8.6% total funds decrease from the 2015-17 legislatively approved budget.

While there are budget reductions (agency-wide changes noted previously), the decrease is mostly attributable to a continued decline in the Temporary Assistance for Needy Families (TANF) caseload due to improvements in the economy and employment market since the last recession. The average caseload is expected to decrease by more than 4,300 families, or 19.3%, during the 2017-19 biennium. In addition to capturing caseload and cost per case savings, the legislatively adopted budget frees up \$20 million General Fund by replacing it with one-time federal TANF carryforward funds. A budget note related to identifying and investing TANF savings was approved.

Nonlimited Federal Funds for the Supplemental Nutrition Assistance Program (SNAP/food stamps) make up 71.4% of the total budget for Self Sufficiency. At \$2.214 billion, SNAP benefit payments are projected to be \$300 million (or 11.9%) lower than in the 2015-17 biennium.

For the ERDC program, the full investment of \$45 million General Fund added in 2015-17 was not able to be continued into 2017-19 due to statewide budget constraints; General Fund support for the program is \$11.3 million lower. However, from the total funds view, the projected caseload capacity of about 8,700 is 500 more than the actual caseload count for 2015-17. The budgeted program level for 2015-17 did not account for challenges in implementing program changes required under federal law, such as protecting eligibility for 12 months and new requirements for providers.

Other budget actions include transferring child care programs for teens and parents receiving alcohol and drug treatment from the Department of Education to DHS; the latter program also has a related budget note. The Oregon Hunger Response Fund received a one-time General Fund infusion of \$1.3 million, which is a 26.2% increase from the 2015-17 funding level. This additional support will help the Oregon Food Bank, through its 20 regional food banks,

### Child Welfare

The Child Welfare program conducts prevention, protection, and regulatory activities to keep children safe and improve their quality of life. Services include responding to reports of child abuse or neglect, providing in-home supports or out-of-home care when necessary, and arranging adoption or guardianship services and supports.

The legislatively adopted budget is \$551.6 million General Fund and \$1.068 billion total funds, which is 17.5% and 11% higher, respectively, than the \$469.1 million General Fund and \$962.4 million total funds 2015-17 legislatively approved budget. The budget contains an increase of \$6.9 million General Fund to pay the Department of Justice for representing Child Welfare caseworkers in court and provide full access to legal representation, legal counsel, legal advice, litigation support, and training.

Other investments targeted at helping improve program performance include 50 new Consultant, Educator, Trainer (CET) positions (44.00 FTE) totaling \$6.5 million General Fund (\$9.3 million total funds)

to provide training, role playing, and hands on support of child welfare frontline workers. In addition, \$1 million General Fund was approved for workforce professional development and \$2 million General Fund for supervisor training. An additional 78 positions (68.64 FTE) were approved under the workload model to help address core workload and capacity issues.

The budget also helps foster parents by increasing the base foster care rate by an average of 14% and establishing a \$750,000 General Fund appropriation to the Emergency Board for foster parent supports. An update to the rate model for the Behavioral Rehabilitation Services (BRS) program is also funded; the update includes an increase in rates for BRS providers (a net average increase of 16%) to address inflationary cost increases in the program.

Under a budget note, the Department will report regularly on the Child Welfare program and progress in meeting expectations around child safety, provider oversight, policy alignment, program performance, and system accountability.

### Vocational Rehabilitation

The Vocational Rehabilitation program assists youth and adults with disabilities to obtain, maintain, or advance in employment. The program's overarching goal is to help clients succeed in jobs that allow them to live as independently as possible, reduce or eliminate their need for publicly funded benefits, and be fully contributing members of their local communities.

The legislatively adopted budget is \$29.1 million General Fund and \$112.5 million total funds; the total funds budget is 1.6% above the 2015-17 legislatively approved budget. However, the General Fund budget is a 20% increase over the prior biennium primarily due to backfilling \$3.6 million in one-time federal dollars with General Fund. The budget continues essential services with an emphasis on improving employment outcomes for people with intellectual and developmental disabilities under the Employment First initiative.

### Aging and People with Disabilities

Aging and People with Disabilities (APD) programs provide long-term care services to seniors and people with physical disabilities. Clients are served in their own homes, in community based care settings, and in nursing facilities. The legislatively adopted budget is \$1.029 billion General Fund and \$3.548 billion total funds, which is 17% and 14.1% higher, respectively, than the \$879.5 million General Fund and \$3.093 billion total funds 2015-17 legislatively approved budget.

The legislatively adopted budget accounts for overall caseload growth and cost per case changes based on the spring 2017 forecast and associated increases to workload models for field staff; a total of 105 positions (53.00 FTE) are added in APD field offices with a corresponding increase in payments for services provided by local Area Agencies on Aging offices. The overall average long-term care caseload is forecast to increase by more than 2,500 clients or about 7.3% over the prior biennium.

Caseload growth continues to be significant for the in-home program, which is forecast to increase by 12% between biennia. This is driven by an aging and longer living population, along with increased access to services under the K Plan and policy changes making in-home care a more attractive service option. To help curb costs, the budget captures \$27 million General Fund (\$83.3 million total funds) in expected savings due to eliminating the live-in program, strengthening the eligibility assessment tool, and implementing a new algorithm for calculating service hours.

The budget includes rate increases for nursing facilities and cost of living increases for most community based care providers. Approved funding maintains Oregon Project Independence at existing levels and supports completion of the Centralized Abuse Management project, as well as training and ongoing operations for that system.

### Intellectual and Developmental Disabilities

The Intellectual and Developmental Disabilities (IDD) program provides services for Oregonians with intellectual and developmental disabilities of all ages. Services include in-home family support, intensive in-home supports, out-of-home 24-hour services delivered by proctor/foster care or residential care providers, and brokerage support services. The legislatively adopted budget is \$885.6 million General Fund and \$2.723 billion total funds, which is 19.1% and 16.9% higher, respectively, than the \$743.4 million General Fund and \$2.329 billion total funds in the 2015-17 legislatively approved budget.

Mirroring APD, the legislatively adopted budget for IDD reflects continued caseload growth and budget pressure due to expanded services and costs per case for children and adults, primarily resulting from implementation of the K Plan. Based on the spring 2017 forecast, the number of individuals receiving program services is projected to grow by 2,175 (11.3%) over the next two years; the budget accounts for this caseload growth and associated cost per case increases. The budget also includes an increase of \$21.3 million General Fund (\$50.5 million totals fund) over the 2015-17 level in payments to Community Developmental Disability Programs and brokerages for administering these services.

To help increase wages of direct support professionals (providers not represented by a labor union), the budget contains a 5% provider rate increase. About \$6.5 million in General Fund savings is captured through eliminating regional programs, capping bedhold payments at 21 days, and reducing the family support program. A \$12 million General Fund reduction target is also included, which is expected to be met through use of a more robust assessment tool and other actions. No reductions or other changes are made to the Fairview Trust.

### **Commission for the Blind**

The legislatively adopted budget for the Commission for the Blind is \$3.4 million General Fund, \$21.3 million total funds, and 68 positions (62.53 FTE). This is a 6% reduction in General Fund from the 2015-17 budget level. The budget includes a \$2.5 million increase in federal revenues, reflecting an update in the Memorandum of Understanding between the Department of Human Services (DHS) and the Commission for the Blind. This agreement adjusts the percentage of the federal Vocational Rehabilitation Grant 101 award for the Commission for the Blind from 12.5% to 15.6% to align Oregon with the national average ratio and to comply with new requirements under the Workforce Investment and Opportunities Act (WIOA). With this increase in federal revenue, the agency will invest in its vocational rehabilitation program by increasing the number of third-party cooperative agreements with educational institutions, and establishing new counselors and instructor positions to offer technology training, job site assessment, and workplace accommodations.

### **Long Term Care Ombudsman**

The Long Term Care Ombudsman's 2017-19 legislatively adopted budget of \$6.1 million General Fund is 3.5% less than the 2015-17 budget of \$6.3 million General Fund. This change is primarily due to removing \$600,000 General Fund from the public guardian program and placing \$200,000 of that reduction aside in a special purpose appropriation for potential future allocation to the program. A related budget note directs the agency to assess the program and report back to the Legislature. The

total funds budget, at \$7 million, is just under the prior biennium funding level and continues to support 25 positions (24.50 FTE).

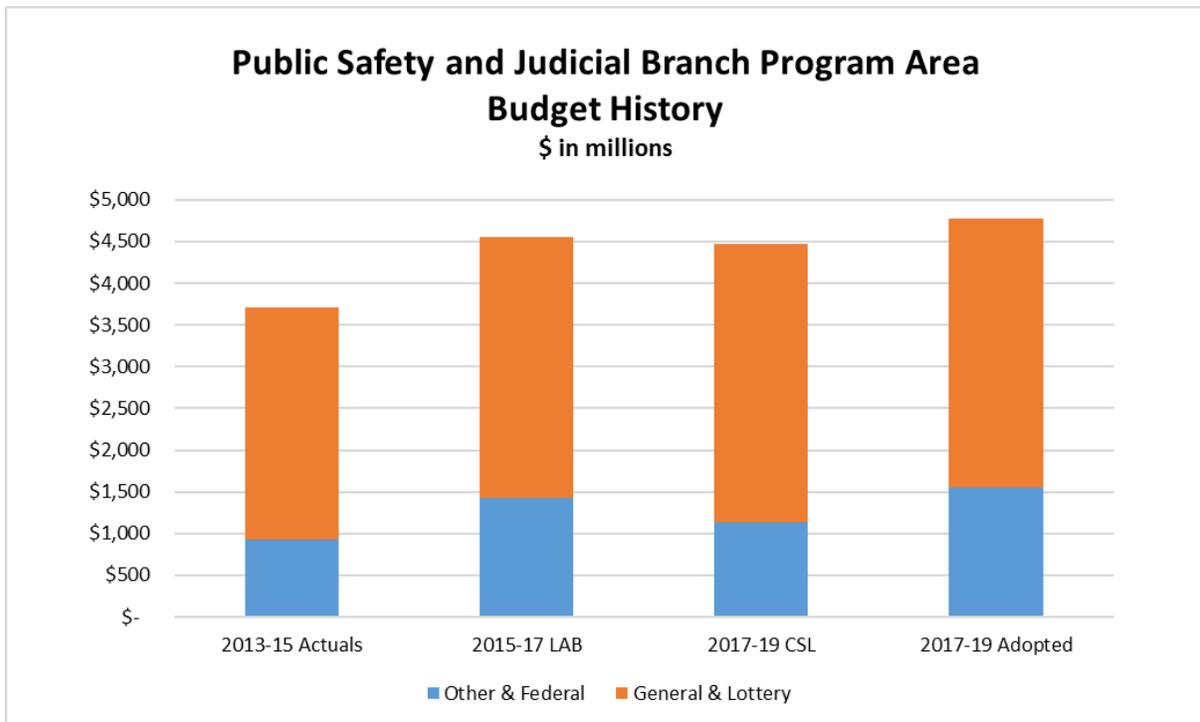
**Psychiatric Security Review Board**

The legislatively adopted budget for the Psychiatric Security Review Board, at \$3 million General Fund and \$2,248 Other Funds, is 10% more than the 2015-17 legislatively approved budget. The budget includes 11 positions (11.00 FTE), and funds all current programs.

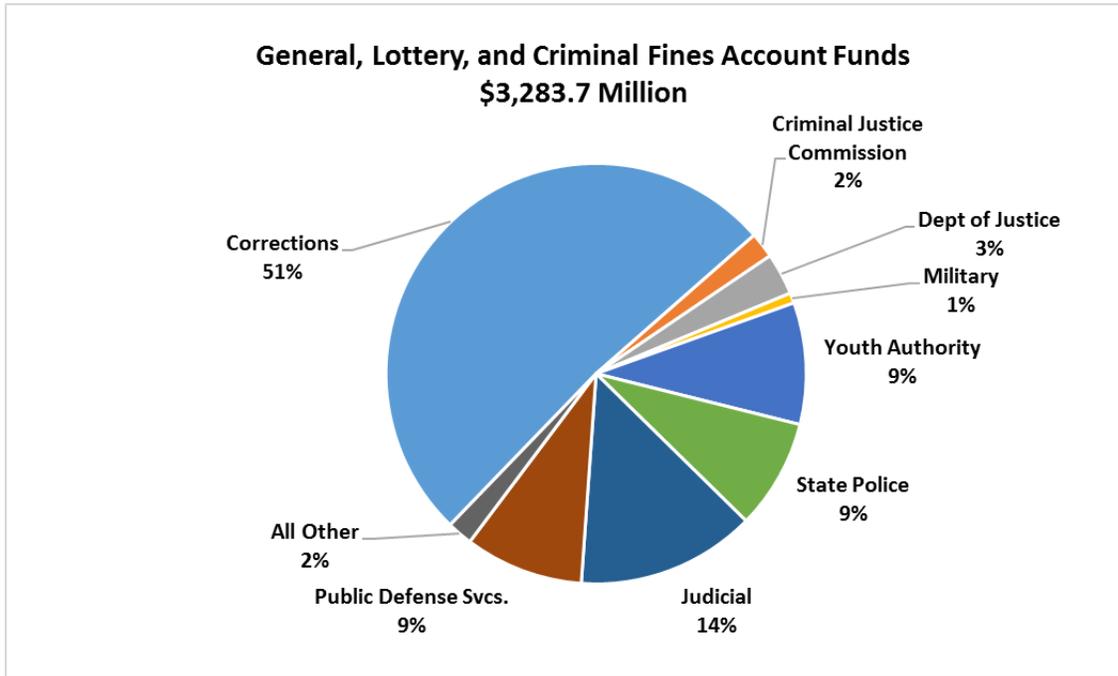
**PUBLIC SAFETY AND JUDICIAL BRANCH PROGRAM AREA**

The agencies in the combined Public Safety and Judicial program area ensure the safety of and justice for Oregonians by providing services through four interconnected systems: 1) community safety, law enforcement, homeland security, and resolution of civil matters; 2) prosecution and defense services related to the court system; 3) incarceration and related treatment services; and 4) prevention and intervention programs. Oregon counties are important public safety partners, providing community corrections and juvenile crime prevention programs, operating circuit courts, and building new court houses with funding provided by the state.

Public Safety and Judicial Branch programs and activities account for 15.4% of the statewide 2017-19 General Fund and Lottery Funds budget, and 6.4% of the statewide all-funds budget. Incarceration and supervision costs represent the largest share of state spending in the public safety program area by a significant margin.

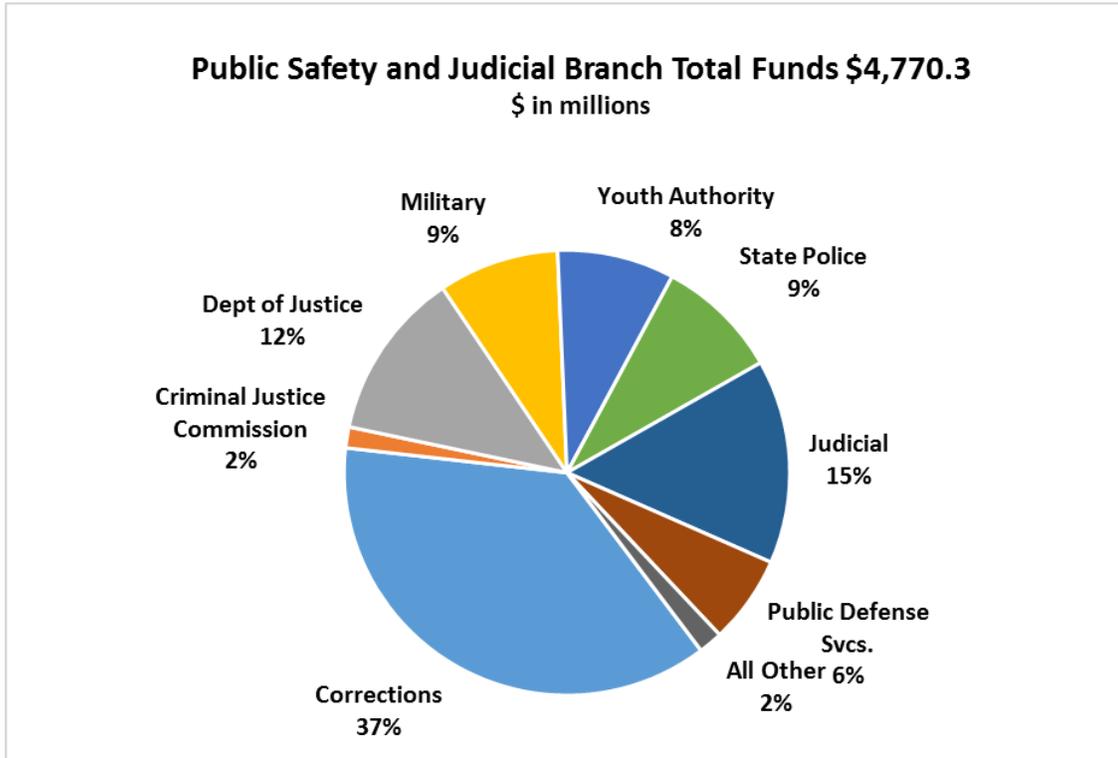


Several public safety agencies also receive Criminal Fine Account (CFA) revenues, as allowed by statute. Of the \$143.8 million total, \$77 million (or 56.5%) was allocated to public safety and judicial branch agencies. In agency budgets, the CFA funds appear as Other Funds, but because unallocated CFA funds are fungible (available for General Fund uses), they are included in the following chart.



Included in the All Other category are the Department of Public Safety Standards and Training, District Attorneys and Their Deputies, the Board of Parole and Post-Prison Supervision, and the Judicial Fitness and Disabilities Commission.

The next chart shows each public safety agency’s percentage of total public safety program area funds.



Included in the All Other category are the Department of Public Safety Standards and Training, District Attorneys and Their Deputies, the Board of Parole and Post-Prison Supervision, and the Judicial Fitness and Disabilities Commission.

#### Criminal Justice Commission

The Commission’s 2017-19 legislatively adopted budget is \$64.9 million General Fund, \$72.6 million total funds, and 14 positions (13.50 FTE). This is a 17.8% increase in General Fund from the 2015-17

legislatively approved budget level. The 2017-19 budget adds \$7 million to the current service level of \$40.1 million for a total of \$47.1 million General Fund in the Justice Reinvestment grant program, adds \$347,351 General Fund and 2 positions to analyze and report on traffic stop data (HB 2355), and adds \$284,344 General Fund and one limited duration position to analyze state funding of, and outcomes from, alcohol and drug treatment programs (SB 1041). The Commission's budget also retains a total of \$21.7 million for specialty court funding.

### **Military Department**

The Military Department's all funds budget is \$417.8 million, which is 4.2% less than the 2015-17 legislatively approved budget. General Fund is \$25.6 million, a decrease of 0.1% from the 2015-17 budget level. The budget includes 477 positions (426.82 FTE). The 2017-19 budget also includes:

- A \$500,000 reduction in revenue due to a shortfall in armory rental revenues because twelve of the Department's 38 armories were closed to rentals in 2015-17 following the discovery of lead contamination in and around indoor firing ranges.
- \$7.4 million Federal Funds expenditure limitation and the establishment of 21 positions to manage and maintain Camp Umatilla, the National Guard training site on the former Umatilla Chemical Depot.
- \$224,000 General Fund and \$896,000 Federal Funds expenditure limitation to pay annual storm water runoff fees to the City of Portland.
- A reduction of \$1.5 million General Fund from fire protection programs at Oregon's two air national guard bases. Fire protection at the air bases is a 100% federally-funded expense.
- \$1 million General Fund for construction activities at Camp Withycombe's military museum.
- A total of \$1.7 million in Other and Federal Funds expenditure limitation for the Youth Challenge program, and \$726,331 Federal Funds expenditure limitation and twelve positions for the STARBASE educational program.
- \$11.8 million in Article XI-Q bond proceeds for three regional armory emergency enhancement projects in Coos Bay, Newport, and Salem; and one armory service life extension project in Grants Pass.
- \$1.7 million of one-time Other Funds expenditure limitation for the purchase of two future readiness center sites, in Washington and Deschutes counties.

### **Department of Public Safety Standards and Training**

The legislatively adopted budget for the Department of Public Safety Standards and Training is \$9.5 million General Fund for debt service, \$43.5 million Other Funds (including \$32.8 million Criminal Fines Account revenue), and \$8 million Federal Funds for a total biennial budget of \$61.3 million, including 152 positions (150.05 FTE). The 2017-19 budget is 2.6% higher than 2015-17. The budget reduces two basic police classes, \$1.4 million Other Funds and four positions (4.00 FTE); adds two telecommunicator classes and \$200,000 Other Funds; and continues DPSST's partnership with the Criminal Justice Commission on the Center for Policing Excellence with \$730,000 of grant funding from the Edward J. Byrne Memorial grant program and two limited duration positions. The budget also includes one-time federal grant funds of \$469,566 for firefighter training equipment, and adds two positions (1.84 FTE) and \$431,330 Other Funds expenditure limitation to begin developing training to reduce racial profiling by police officers (HB 2355).

## **Oregon Youth Authority**

The Youth Authority's 2017-19 budget is \$307.4 million General Fund, \$405.5 million total funds, and 1,023 positions (950.68 FTE). General Fund is increased by 3% over the 2015-17 legislatively approved budget, while total funds exceed the 2015-17 budget by 1.8%. The budget makes significant changes to the agency that reflect both declining referrals to OYA and the agency's implementation of the Youth Reformation System, which uses predictive analytics to determine the optimum placement for each youth in OYA's custody. These changes include:

- Increasing the funding to support Behavioral Rehabilitation Services rates by \$3.3 million General Fund and \$2.9 million Federal Funds.
- Decreasing the funding available for community placement beds by a total of \$19.2 General Fund, \$1.4 million Other Funds, and \$15.5 million federal funds, to bring the number of community placement beds from 740 to about 500, more in line with actual usage in fiscal year 2016.
- Establishing six Skill Development Coordinator positions (\$1 million General Fund) to reduce the use of isolation as a primary behavior modification tool in close custody facilities.
- Providing \$1.9 million General Fund and establishing nine positions to operate the Young Women's Transition Project on an ongoing basis.
- Providing \$1.6 million General Fund and establishing eight ongoing positions to resolve double-filled positions that provide administrative, management, and Information Technology services across the agency.
- Eliminating twelve positions and establishing ten new positions that will continue implementation of the Youth Reformation System.
- Closing the North Coast Youth Correctional Facility for a General Fund savings of \$8.1 million and a reduction of 41.57 FTE.
- Eliminating fifteen long-term vacancies, reducing Other Funds expenditure limitation by \$2.1 million.

In addition, \$49.3 million in capital construction and bonding is authorized for the agency to continue the implementation of its 10-Year Facilities Strategic Plan. The Plan will result in remodeling the MacLaren and Rogue Valley facilities to support best practices in youth reformation and making other changes to the remaining facilities to include addressing deferred maintenance. Bond sales in the spring of 2018 and 2019 will generate \$29.3 million of the total and will add debt service costs of \$1.7 million General Fund in 2017-19.

## **District Attorneys and Their Deputies**

The budget for District Attorneys and their Deputies is \$12.5 million General Fund and is a 5.1% increase from the 2015-17 legislatively approved budget. The 2017-19 legislatively adopted budget is sufficient to pay for the salaries and benefits of the 36 District Attorneys as well as state government services charges. The budget includes 36 positions (36.00 FTE).

SB 505 requires District Attorneys to electronically record all grand jury proceedings, and to store and maintain copies of the audio recording. The measure will be implemented in three counties beginning March 1, 2018, and the remaining counties by July 1, 2019. The Judicial Department will purchase and maintain recording equipment for District Attorneys in Multnomah, Jackson, and Deschutes Counties. While District Attorneys and counties received no initial appropriation of funds, the Legislature did set aside an \$8.5 million special purpose appropriation to the Emergency Board for additional expenses necessary to implement the measure; however, the process for individual DA offices and counties to

request an allocation still needs to be determined as neither entity typically makes requests to the Emergency Board.

The enhanced juvenile dependency representation funding provided to the Department of Justice may have consequence for some District Attorneys that potentially may no longer receive grant funding or federal matching funds from the Department of Human Services for juvenile dependency representation. Such grants, however, flow directly to counties and then to DA offices and are outside the state budget for the District Attorneys and their Deputies.

### **Department of Justice**

The budget for the Department of Justice is \$585 million total funds, including \$84.7 million General Fund, \$321.3 million Other Funds, and \$179 million Federal Funds. The total funds budget is \$8 million (or 1.4%) more than the 2015-17 legislatively approved budget. NonLimited expenditure authority is removed from the budget and replaced with Limited expenditure authority. The budget includes 1,374 positions (1,348.42 FTE). The 2017-19 billable Attorney General rate for agencies will increase from \$175 for the 2015-17 biennium to \$182 and is estimated to generate \$175 million. The rate is a 4% increase over the 2015-17 biennium.

The budget makes three types of investments: a continuation of funding, funding enhancements, and new program funding. Continued funding is provided for: Titan Fusion Center (\$884,995); Driving Under the Influence of Intoxicants (\$558,883); traffic safety prosecutor (\$401,772); homeland security (\$288,007); urban area security initiative (\$278,608); internet crimes against children (\$755,187); Victims of Crime Act funding (\$15.5 million); Umpqua Community College shooting incident (\$1.2 million); backfill of a revenue reduction in Division of Child Support (\$4.1 million); and funding of Phase-III of the Child Support Enforcement Automated System project (\$52.4 million). The Defense of Criminal Convictions was fully funded to caseload forecast (\$21.3 million).

Enhanced funding is provided for: juvenile dependency representation (\$6.9 million); Medicaid Fraud (\$607,957); legal services to agencies (\$1.6 million); Tobacco Master Settlement Agreement enforcement (\$343,788); legal conference/agency training (\$307,366); and other investments in information technology, budget, and accounting staff (\$4.5 million). General Fund enhancements include: \$1 million for HB 3078 and victims of domestic and sexual violence; \$500,000 for child abuse medical assessments; and \$175,000 for the Oregon Crime Victims Law Center. One new program was established under SB 243 to train Department of Human Services caseworkers and certifiers on the new legal standard of abuse (\$123,932).

Reductions or fund shifts in the budget due either to budget savings or available revenue include: a one-time fund shift of General to Other Funds (punitive damage awards) in the Crime Victims Services Division; a Tobacco Master Settlement Agreement defense funding no longer required (\$3.2 million); the elimination of unneeded expenditure limitation (\$3.6 million); and the elimination of vacant positions (\$470,683).

DOJ was directed to report to the Legislature in 2018 with options for providing more effective and cost-efficient legal and other services to state agencies and on how the agency bills for legal and other services. DOJ is also to submit a report if the compensation adjustment for attorneys exceeds the standard compensation adjustment for management service employees in the executive branch of state government.

Finally, DOJ will transfer to the General Fund \$46 million of surplus Protection and Education Account funds from major legal settlements. \$62 million of Tobacco Master Settlement Agreement funds from disputed payment years 2004 through 2015 was deposited into the Tobacco Settlement Funds Account for allocation primarily to the Oregon Health Authority for the Oregon Health Plan.

### **Department of State Police**

The legislatively adopted total funds budget for the Department of State Police (OSP) is \$426.3 million, which is comprised of \$269.3 million General Fund, \$136.7 million Other Funds, \$8.1 million Lottery Funds, \$12.2 million Federal Funds, and 1,345 positions (1,321.62 FTE). The total funds budget is 3.9% higher than the 2015-17 legislatively approved budget. General Fund decreased by 4.6%, in large part due to a fund shift of \$27.2 million from General Fund to Other Funds marijuana tax revenues, 15% of which are statutorily dedicated to the Department of State Police. Marijuana tax revenues also support a \$1.9 million purchase of new patrol vehicles and \$1 million of expenses associated with moving the Pendleton forensics laboratory into more suitable quarters.

Other significant budget changes include:

- \$6.2 million General Fund for twenty new sworn patrol and drug enforcement positions statewide.
- \$2.5 million Other Funds for seven trooper positions in the Capitol Mall Security unit, for additional patrol presence in the Capitol building.
- \$643,489 federal funds to establish a program to inventory and track the processing of sexual assault forensic evidence kits in the agency's possession.
- \$3.6 million Other Funds and \$1.5 million federal funds to continue the LEDS 20/20 project, replacing the statewide criminal history repository database. Prior to the 2017-19 biennium, this project was known as the CrimeVue replacement project.

HB 2355 requires the state to begin collecting certain demographic data during traffic and pedestrian stops, and to train police officers in ways to reduce racial and ethnic profiling. The bill added \$780,481 General Fund, \$750,000 Other Funds expenditure limitation, and three positions to develop and implement a data collection system to be used by all police agencies in Oregon for collecting traffic stop data.

### **Department of Corrections**

The Department of Corrections (DOC) operates the state's 14 prisons, where adult and certain juvenile felons sentenced to prison for more than twelve months are incarcerated. The April 2017 prison population forecast projects an average of 13,505 men and 1,304 women to be housed during the 2017-19 biennium. The Department is also responsible for community corrections offenders sentenced or sanctioned to prison for 12 months or less, known as the local control population, and all felony offenders under community supervision for parole or probation. These offenders are managed by the counties, except for Douglas and Linn counties, which are managed by DOC. In total, the community corrections population is forecast to be 32,528 by the end of the 2017-19 biennium.

The 2017-19 legislatively adopted budget for DOC is \$1.68 billion General Fund, \$1.77 billion total funds, and 4,605 positions (4,572.07 FTE). General Fund is 5.1% higher than the 2015-17 legislatively approved budget, and total funds are 4.6% higher. Other Funds of \$81.7 million include \$4.3 million of Criminal Fine Account revenue. The budget includes:

- \$9.1 million General Fund and 33 positions (29.10 FTE) to complete the addition of 200 beds at the Deer Ridge Correctional Institution, approved by the Emergency Board in May of 2016.
- \$6.9 million General Fund and 33 positions (28.56 FTE) to continue improvements to the Behavioral Health Unit at the Oregon State Penitentiary.
- A reduction in General Fund of \$21.6 million, which eliminated funding to open a second women's prison in 2017-19; and which reduced planned capacity increases for men at the Shutter Creek Correctional Institution.
- A reduction of \$1 million for alcohol and drug transition program support.

The Legislature approved \$38.5 million in capital construction limitation and Article XI-Q bond proceeds for the agency to work on infrastructure improvements identified in the Facility Condition Assessment; and to upgrade and install technology infrastructure that will support a voice-over-internet protocol telephone system. Bonds will be issued in March 2018, and in May 2019, requiring new debt service of \$1,926,252 General Fund in the 2017-19 biennium.

In addition to the statewide across-the-board spending reductions contained in HB 5006, the agency's General Fund budget is reduced by \$10 million in response to statewide resource limitations. The agency is expected to meet the reduction target by holding positions vacant and other personal services actions.

#### **Board of Parole and Post-Prison Supervision**

The 2017-19 legislatively adopted budget for the Board of Parole and Post-Prison Supervision is \$8.9 million total funds, an increase of 10.2% from the 2015-17 budget. All but \$11,254 of the total funds budget is financed with General Fund. The budget continues 28 positions (28.00 FTE), which includes the continuation of three limited duration positions to continue work on reducing the backlog of required sex offender risk assessments.

#### **Judicial Department**

The 2017-19 legislatively adopted budget for the Judicial Department (OJD) of \$707 million total funds is 20.8% greater than the 2015-17 legislatively approved budget. The budget supports 1,900 positions (1,776.58 FTE), a 0.4% reduction in FTE from the prior biennium. The Department's operating costs are primarily supported by the General Fund. The \$433.1 million of General Fund support is 1.7% higher than the prior biennium level. The agency is also projected to carry forward approximately \$3 million of General Fund from 2015-17, which will be added to its 2017-19 biennium budget without additional legislative action.<sup>5</sup> Key provisions of the budget include the following enhancements, reductions, and adjustments:

- \$10.7 million of Other Funds expenditures were added to the OJD budget for eCourt system support staff, and for system maintenance charges and vendor charges for electronic processing. The expenditures are financed from existing State Court Technology Fund revenues, criminal fine increases authorized in HB 2797, court filing fee increases that the Department will retain in the State Court Technology Fund as authorized in HB 2795, and increased eCourt user fees approved by the Chief Justice. A portion of the funds are used to continue and make permanent seven full-time positions that support the eCourt system but that were approved on a limited duration basis in the prior-biennium budget.

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<sup>5</sup> ORS 293.195 allows for retention of unused biennial General Fund appropriations for state agencies in the judicial and legislative branches.

- \$2.56 million General Fund was added to the current service level to provide funding for projected third-party debt collection costs.
- \$2.1 million General Fund, and 15 positions (9.79 FTE) were added for implementation of SB 505, which mandates recordation of grand jury proceedings. The funding and positions will support the program in the circuit courts of the three roll-out counties: Deschutes, Jackson, and Multnomah. The budget additionally includes a \$7.9 million special purpose appropriation to the Emergency Board for SB 505 implementation costs. The Department (and other affected entities as well) may request additional funding from this appropriation for costs incurred by both the roll-out county circuit courts, and the remaining county circuit courts.
- \$1.2 million General Fund for planning of a replacement courthouse for Clackamas County. The funding provided establishes no obligation for the state to provide any additional support for this project.
- \$617,468 General Fund and eight positions (2.48 FTE) were added to establish two new circuit court judgeships: one in Washington County and one in Josephine County. The new judgeships are established on January 7, 2019.
- A \$13.1 million General Fund reduction and a \$337,524 Other Funds reduction in Criminal Fine Account expenditures were included, to help balance the statewide General Fund budget. These reductions are equivalent to approximately 4% of the Department's operations budget. The Judicial Department is given flexibility in implementing the reductions, to minimize their impact on judicial operations.
- A \$2.6 million General Fund reduction to adjust debt service on previously-issued Article XI-Q bonds to currently-required levels. The reduction reflects favorable interest rates obtained in from recent bond sales and refinancing efforts. This funding reduction has no impact on OJD operations.
- A \$1.5 million General Fund reduction, associated with the permanent elimination of 11 vacant positions (10.94 FTE). This action helps to balance the statewide General Fund budget.
- \$195.2 million of Article XI-Q bond proceeds and county matching funds (both Other Funds), for county courthouse capital construction projects funded through the Oregon Courthouse Capital Construction and Improvement Fund (OCCCIF). This expenditure authority accommodates funding for courthouse replacement projects in Multnomah and Lane counties. Article XI-Q bond proceeds authorized in the 2017-19 biennium budget for OCCCIF projects total \$97.6 million, and include \$92.6 million for the Multnomah County Central Courthouse project, and \$5 million for the Lane County Courthouse project. This funding increases the three-biennia bond support for the Multnomah County courthouse to \$125 million, and will allow completion of the new facility. Lane County may request additional OCCCIF support for its courthouse project in the future, but the funding provided establishes no obligation for the state to provide any additional support for this project.
- \$14.9 million of Article XI-Q bond proceeds for two capital construction projects, including \$8.9 million for state-owned equipment and furnishing for the new Multnomah County Courthouse and \$6 million to renovate and provide seismic updates for the Oregon Supreme Court Building. The building restoration is forecast to total up to \$33 million in cost, and to require up to an additional \$27 million of additional Article XI-Q bond proceeds in the 2019-21 biennium.
- \$1,235,000 of Article XI-Q bond proceeds are provided to finance the cost of issuing the bonds for both the OCCCIF and capital construction projects.

### **Public Defense Services Commission**

The 2017-19 legislatively adopted budget for the Public Defense Services Commission (PDSC) of \$304.9 million total funds is 4.3% greater than the 2015-17 legislatively approved budget. The budget supports 77 positions (the same as the prior biennium) and (76.23 FTE). The agency's operating costs are primarily supported by the General Fund. The \$300 million of General Fund support is 4% greater than the prior biennium level. Key provisions of the budget include the following enhancements and adjustments:

- \$4.7 million General Fund was added to address an ongoing shortfall in the funding included in the current service level calculation for costs of contracted public defense services. In recent biennia, the Legislature has needed to supplement the agency's Professional Services Account with additional General Fund appropriations, in the second year of the biennium. The additional funding is intended to fully fund projected 2017-19 biennium costs, and eliminate the need for a supplemental appropriation later in the biennium.
- The Professional Services Account was reduced by \$4 million, including a \$4.7 million General Fund reduction partially offset by a \$700,000 Other Funds expenditure limitation increase. The reduction removed most funding to contractors otherwise financed for inflation in services and supplies costs and most funding for contractor personal services cost increases above the standard state contractor rate increase.
- Agency operations funding was reduced by \$628,963 General to help balance the statewide General Fund budget. The reductions removed funding to address agency space needs, and partially shifted one position to Other Funds support.
- The \$700,000 fund shift in the Professional Services Account from General Fund to Other Funds, referenced in the second bullet item above, is projected to retain a \$200,000 Other Funds ending balance. Some portion of the fund shift will likely need to be reversed in the 2019-21 biennium budget.

### **Commission on Judicial Fitness and Disability**

The 2017-19 legislatively adopted budget for the Commission on Judicial Fitness and Disability of \$245,362 General Fund is 44.3% below the 2015-17 legislatively approved budget. The large reduction represents the phase-out of supplemental funding added last biennium for extraordinary expenses related to the investigation and prosecution of alleged cases of judicial misconduct. The Commission is not expected to incur additional expenses for these cases in 2017-19, so this supplemental funding was not continued. The budget instead funds extraordinary expenses at the current service level of \$18,226 General Fund. The budget includes one position (0.50 FTE). Services and supplies funding was reduced by \$8,950 from current service level, to help balance the statewide General Fund budget.

### **ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA**

Agencies within the Economic and Community Development Program Area include the Oregon Business Development Department, the Employment Department, the Housing and Community Services Department, and the Department of Veterans' Affairs. In their own way, each of these agencies contributes to Oregon's prosperity by supporting business, employment, or by improving the economic prospects of Oregonians through anti-poverty initiatives and creating opportunities for homeownership. The agencies are funded through a mix of General Fund; Other Funds bond proceeds, loan programs, and fees; and Federal Funds. Lottery Funds and General Fund are also provided for debt service related to specific projects or programs. Lottery Funds also support programs and operations of the Oregon

Business Development Department, and pursuant to Ballot Measure 96 (2016), programs for veterans in the Department of Veterans' Affairs and Housing and Community Services Department budgets.

### **Oregon Business Development Department**

The legislatively adopted budget for the Oregon Business Development Department (OBDD) totals \$828.1 million, a \$126.2 million (or 18%) increase over the prior biennium, and includes 136 positions (134.50 FTE). The increase is the result of expanded support for the agency's bond-funded programs, additional General Fund and Lottery Funds for debt service costs, and a tripling of General Fund support for programs. These increases are partially offset by reductions in Lottery Funds debt service and reductions in Lottery Funds program support.

The OBDD budget includes \$171.1 million of state support (Lottery Funds and General Fund), of which \$116 million is Lottery Funds. The state support total is \$41.2 million (or 31.8%) above the prior biennium level. The increase is primarily due to debt service costs on lottery revenue and general obligation bonds. Lottery Funds and General Fund debt service costs are \$32.4 million (or 57.3%) above the prior biennium level. Lottery Funds and General Fund expenditures for the agency's other operating and program costs are increased by \$8.9 million (or 12.1%) over the prior biennium level.

Although the budget includes Other Funds expenditure increases netting to \$84.7 million (or 15.9%) over the prior biennium, the increase is the result of carrying forward significant expenditures of bond proceeds from the prior biennium budget. Because most of the bonds approved for the 2015-17 biennium were not issued until spring 2017, many of the expenditures financed by those bonds need to be included in the 2017-19 budget. The budget, however, provides significantly less new bond authorizations than the prior biennium budget. The 2017-19 legislatively adopted budget provides \$180.4 million of lottery revenue and general obligation bond proceeds for agency programs, a 27.1% reduction from the \$247.5 million provided in the 2015-17 biennium budget. General Fund and Lottery Funds debt services costs on these bonds are projected to total \$29.4 million per biennium when the costs fully phase-in during the 2017-19 biennium, and \$291.8 million in total over the term of the bonds.

The budget for the agency includes the following highlights:

- \$18.2 million Lottery Funds was authorized for Oregon Innovation Council (Oregon InC) initiatives. This amount is essentially unchanged from the \$18.1 million provided in the prior biennium. Support for Oregon InC was included in the agency's current service level budget for the first time in the 2017-19 biennium.
- Lottery Funds support for the Strategic Reserve Fund was reduced by \$2.8 million from the current service level. The reduction was partially offset by an \$800,000 increase in Other Funds expenditures, reducing total funding by \$2 million, to a total of \$10 million for new projects. This represents a 13.8% reduction from the prior biennium support level. The Department may direct any amount of these funds to the Business Retention and Expansion Program.
- \$6.6 million of combined Lottery Funds and Other Funds support is included for operating and research expenses of the Oregon Manufacturing Innovation Center (OMIC), a collaboration between business, academic, and government partners in Columbia County to enhance innovation and competitiveness in the metals manufacturing and advanced manufacturing sectors. Ongoing support is provided at the \$3.6 million level, with another \$3 million provided as one-time supplemental support. Additionally, the budget includes \$3.39 million of one-time lottery bond proceeds for construction of access roads to the OMIC facility.

- \$5 million in General Fund provides one-time support of the Eastern Oregon Border Economic Development Board, established by HB 2012. The funds will finance up to \$4,960,000 of loans and grants to support economic development in the Eastern Oregon border region.
- \$4.26 million Lottery Funds are included for the Oregon Small Business Development Center (SBDC) Network, a 66% increase over the prior-biennium level.
- \$2.84 million of General Fund was added for debt service on new general obligation bonds issued to support the Seismic Rehabilitation Grant Program. These funds will allow \$35 million of bonds to be issued in the spring of 2018. The remaining \$85 million of authorized seismic bonds will not be issued until spring of 2019, and will impose no debt service costs during the 2017-19 biennium.
- \$2 million in one-time General Fund supports the Crescent Sanitary District for a sewer system/wastewater treatment facility project.
- \$1.65 million of one-time General Fund is appropriated to the Arts Commission for grants to seven designated cultural institutions.
- \$1 million Lottery Funds are designated for the Regional Accelerator and Innovation Network (RAIN), which supports entrepreneurship and development of start-up businesses in the South Willamette Valley and Mid-Coast regions. This is a 50% reduction from the \$2 million provided in the prior biennium.
- \$750,000 of Lottery Funds are added for the new Rural Opportunities Initiative, a grant program for rural communities to improve access to training and technical assistance resources for entrepreneurs. The funding will be used to establish a grant program providing 2- to 4-year funding for rural centers for entrepreneurship.
- \$441,097 Other Funds will expand staffing at the Certification Office of Business Inclusion and Diversity (COBID) for administration of new responsibilities.
- \$219,995 General Fund is added to continue the position supporting the new Solar Incentivization Program established by the Legislature in the 2016 session.
- The budget also includes combined General Fund/Lottery Funds reductions of \$5.1 million, and elimination of five positions (4.50 FTE), to help balance the statewide General Fund/Lottery Funds budget.

The budget includes \$183.2 million of lottery revenue bond proceeds and general obligation bond proceeds for Department programs (\$180.4 million) and costs of issuance (\$2.8 million). This amount includes the following:

- \$120 million for the Seismic Rehabilitation Grant Program, including \$100 million for seismic rehabilitation grants for schools and \$20 million for grants for emergency services facilities. The program is a competitive grant program that provides funding for the seismic rehabilitation of critical public buildings. The state issues general obligation bonds, authorized under Article XI-M and Article XI-N of the Oregon Constitution, to finance these grants. Funding in the prior biennium totaled \$205 million.
- \$30 million for the Special Public Works Fund. These monies will be added to the corpus of the Fund and be used for infrastructure development for industrial land sites, water and wastewater systems, and other economic development-related infrastructure. The funding level is 66.7% above the prior biennium level, with \$10 million of the proceeds being specifically designated for levee projects.
- \$15 million for the Port of Coos Bay Channel Deepening Project.
- \$9 million for other specified community development projects with the Oregon Manufacturing Innovation Center, City of Sweet Home, Crescent Sanitary District, and Port of Brookings Harbor.

- \$4 million for Regional Solutions capital projects. The funds will be distributed to support priority projects identified by local Regional Solutions Advisory Committees. Only \$1 of Other Funds expenditure limitation is included in the budget, however, pending a report on project proposals to the Legislature or Emergency Board. Last biennium, \$13 million was approved for this program.
- \$2.45 million for cultural organization capital projects at the Portland Art Museum, Eugene Ballet Company, and Friends of the Oregon Caves and Chateau. Bond funding last biennium for cultural organization capital projects totaled \$4.5 million.

The legislatively adopted budget also allocates lottery revenues to counties for economic development programs to the full amount reflecting the statutory distribution of 2.5% of video lottery revenue proceeds, minus one-half of the costs of supporting Regional Solutions positions in the Office of the Governor. Funding to counties totals \$41.3 million, a 5.6% increase over the prior biennium level.

### **Employment Department**

Of the \$1.8 billion total funds legislatively adopted budget, \$1.47 billion is assumed for payment of unemployment insurance benefits. The budget includes 1,298 positions (1,239.78 FTE). Employment Department initiatives in 2017-19 include further progress on the agency's feasibility study, formulation of a business case, and evaluation of market solutions to modernize the agency's business processes and information technology infrastructure, totaling \$4.7 million and 18 positions. The Oregon Talent Council was transferred to the Higher Education Coordinating Commission, and no General Fund for this purpose is included in the 2017-19 Employment Department budget. Additional Federal Funds expenditures are included for enhanced services under the federal Trade Adjustment Assistance Program (\$4.8 million), and for promotion of the Work Opportunity Tax Credit (\$0.5 million).

### **Housing and Community Services Department**

The 2017-19 legislatively adopted budget for the Housing and Community Services Department (HCSD) totals \$1.2 billion, of which \$54.4 million is General Fund. The budget includes 164 positions (152.65 FTE). General Fund enhancements were made to the Emergency Housing Account and State Homeless Assistance Program (\$30 million in new, one-time funding); the Wildfire Damage Housing Relief Account (\$150,000 in new, one-time funding); and to the Oregon Foreclosure Avoidance Program (\$1.3 million), which will be phased out following the 2017-19 biennium. General Fund of \$3.4 million was included to support debt service payments on \$80 million in bond authority that will be issued for the Local Innovation and Fast Track (LIFT) housing program in the 2017-19 biennium. New programs supported with General Fund include \$223,247 in one-time assistance for a rent guarantee program established through HB 2724; the transfer of the Elderly Rental Assistance program from the Department of Revenue, and \$453,320 General Fund to develop and administer an ongoing inventory of affordable housing as outlined in HB 2002.

New programs supported with Lottery Funds, Other Funds, and Federal Funds were also added, including \$350,000 in Measure 96 Lottery Funds for veterans housing issues; an additional \$80 million in Article XI-Q bonds for affordable housing development; \$25 million Other Funds from lottery bond proceeds for preservation of affordable housing, and the transfer of the State Home Oil Weatherization program from the Department of Energy to the Housing and Community Services Department (\$568,250 Other Funds). Capacity was increased in the Single Family loan program to generate additional loan volume. The Home Ownership Stabilization Program, which helps underwater homeowners refinance or

come current on their mortgages, is funded with federal Troubled Asset Relief Program dollars; the legislatively adopted budget continues this program with \$3.9 million Other Funds expenditure limitation.

The Legislature transferred administration of the Court Appointed Special Advocates program from HCSD to the Department of Administrative Service (-\$2.5 million General Fund, -\$2.2 million Other Funds), and the Oregon Volunteers Commission was transferred to the Office of the Governor (-\$7.2 million Federal Funds).

### **Department of Veterans' Affairs**

The Legislature approved a 2017-19 total funds budget of \$524.5 million and 96 positions (95.84 FTE) for the Department of Veterans' Affairs, which is a 10.2% increase over the 2015-17 legislatively approved budget. Nonlimited Other Funds, in the amount of \$387.5 million, for the Veterans' Home Loan program bond-related activities, debt service, and loan repayments make up 74% of the total budget. Excluding Nonlimited funds, the 2017-19 legislatively adopted budget is a 33.2% increase over the 2015-17 legislatively approved budget. Lottery Funds expenditure limitation of \$14.9 million, available to the Department beginning in the 2017-19 biennium through the passage of Measure 96, is included in the budget. The budget also includes \$8.4 million of General Fund, which consists of \$7.4 million for veterans' services and \$1 million for debt service on outstanding bonds. General Fund support for veterans' services is a 29.1% decrease from the prior biennium, primarily due to the shift of \$2.5 million of current service level expenditures from General Fund to Lottery Funds.

The legislatively adopted budget makes key investments with the lottery dollars dedicated by Measure 96 to expand services to veterans, while retaining a projected \$2.3 million ending balance in the constitutionally dedicated Veterans' Services Fund to provide stable funding in the event of fluctuations in revenue projections, and to provide a working capital balance. Specific investments include:

- \$4.5 million to double the current service level pass-through funding to County Veteran Service Officers and National Service Organizations.
- \$4.1 million to shift the funding for veterans' services from Other Funds supported by home loan revenues to Lottery Funds. Eliminating the subsidization of veterans' services program activities will strengthen, stabilize, and sustain the Home Loan Program for future generations of veterans.
- \$1.2 million to develop and implement one or more grant programs to expand and enhance existing veteran programs on college campuses that help veterans successfully transition from military service to college life.
- \$600,000 to replace the conservatorship system, which will enable the Department to effectively and efficiently deliver conservatorship and representative payee services.
- \$555,000 to establish a grant fund for purposes that benefit veterans, including expanding outreach and services, promoting mental and physical health care, housing security, employment opportunities, education, and transportation accessibility.
- \$390,256 to establish two positions to accommodate the increased statewide support services workload anticipated with the additional funding to County Veteran Service Officers.
- \$380,548 to establish two positions within the Aging Services Program to provide representative payee services and expertise in veterans' benefits and complex aging health care issues.
- \$350,000 to support a veterans' crisis and suicide prevention hotline.

- \$245,509 to establish a Veteran Volunteer Coordinator position responsible for developing and establishing a statewide veterans volunteer program that will expand outreach to veterans in their communities.

The budget also includes the following increases in Other Funds expenditure limitation for the Home Loan and Veterans' Home Programs:

- \$14.9 million to address the Lebanon Veterans' Home operating at a higher census and occupancy level sooner than originally anticipated, in addition to a higher census at The Dalles Veterans' Home.
- \$933,333 on a one-time basis, to refresh the Department of Veterans' Affairs' office building, including replacing the carpet, painting the walls, and updating exterior and interior signage.
- \$250,000 to purchase and install a home loan system that combines loan origination and servicing into one application.
- \$249,080 to establish an Aging Services Assistant Director within the Veterans' Home Program to help direct and manage the day-to-day operations of the division.
- \$201,359 to establish a quality assurance compliance coordinator position in the Home Loan Program and reclassify two existing Loan Specialist positions.

Capital Construction expenditure limitation was approved for the following capital projects funded with the proceeds of Article XI-Q general obligation bonds:

- \$10.5 million to build a new veterans' home in Roseburg.
- \$1.3 million to build a new parking lot at the Lebanon Veterans' Home.
- \$1.2 million for capital improvements to The Dalles Veterans' Home, including construction of new educational and daycare buildings.

## **CONSUMER AND BUSINESS SERVICES PROGRAM AREA**

The Consumer and Business Services program area includes the Board of Accountancy, Board of Chiropractic Examiners, Board of Licensed Social Workers, Construction Contractors Board, Department of Consumer and Business Services, Board of Dentistry, Health Licensing Agency and Health-Related Licensing Boards, Bureau of Labor and Industries, Medical Board, Board of Nursing, Board of Pharmacy, the Mental Health Regulatory Board, Public Utility Commission, Real Estate Agency, and Board of Tax Practitioners. These agencies are primarily funded with Other Funds revenues generated through licenses and fees.

The 2017-19 legislatively adopted budget for the Consumer and Business Services Program Area totals \$672,846,847, of which \$13.1 million is General Fund, \$383.6 million is Other Funds, and \$16.4 million is Federal Funds. The 2017-19 total funds budget for the Consumer and Business Services program area is approximately \$12.5 million below the 2015-17 legislatively approved budget. The Bureau of Labor and Industries is the only agency in this program area supported by General Fund.

The budget also includes \$202.1 million in Nonlimited Other Funds for Workers' Compensation and Insurance Programs and \$56.3 million Nonlimited Other Funds for the Oregon Universal Service Fund, which subsidizes the rates charged by any eligible carrier providing basic telephone service in high cost areas.

### **Board of Accountancy**

The Board's 2017-19 budget totals \$2,583,982 Other Funds and includes 8 positions (7.50 FTE). The budget is a 5.2% increase from the 2015-17 legislatively approved budget and will leave the Board with a projected ending balance of approximately \$1,050,474, which is the equivalent of an estimated 10 months of operating expenses. The budget includes the reclassification of the Financial Investigator position in order to recruit candidates who hold a CPA certificate. The agency will fund this position by reducing the Office Specialist 1 position from 1.00 FTE to 0.50 FTE to reflect the reduced workload of that position. These staffing changes reduce the agency's budget by (\$2,253) Other Funds and (0.50) FTE.

### **Board of Chiropractic Examiners**

The Board's 2017-19 budget totals \$2,014,079 Other Funds and includes 6 positions (5.10 FTE). The budget is a 4.2% increase over the 2015-17 legislatively approved budget and the projected ending balance of \$391,089 will leave the Board with approximately 5 months of operating reserves.

### **Board of Licensed Social Workers**

The Board's 2017-19 budget totals \$1,697,480 Other Funds and includes six positions (6.00 FTE). The budget is a 13% increase from the 2015-17 legislatively approved budget. The Board is responsible for the standards of practice, ethics, and regulation of Social Workers.

### **Construction Contractors Board**

The Board's 2017-19 budget totals \$15,859,876 Other Funds and includes 61 positions (61.00 FTE). This budget is a 5.2% increase from the 2015-17 legislatively approved budget and the projected ending balance of \$5,651,856 will leave the Board with approximately 9 months of operating reserves. The budget accounts for revenue reductions resulting from a temporary 25% fee reduction for contractor licenses and the discontinuation of fees related to continuing education. Furthermore, the budget abolishes two vacant positions (2.00 FTE) and adds one limited duration Operations and Policy Analyst 4 (1.00 FTE) position.

### **Department of Consumer and Business Services**

The 2017-19 legislatively adopted total funds budget for the Department of Consumer and Business Services (DCBS) is \$462,839,071 and includes 965 positions (957.36 FTE). The budget includes \$202.1 million in Nonlimited Other Funds for Workers' Compensation and Insurance programs. This budget is a 0.72% decrease from the 2015-17 legislatively approved budget.

The DCBS budget includes a \$9.9 million Other Funds expenditure limitation reduction to align the 2017-19 budget for the Health Insurance Marketplace with anticipated expenditures following the settlement of the ORACLE litigation in the 2015-17 biennium. This adjustment accounts for contracts that were needed for the transition of the marketplace from Cover Oregon that are now expired; reduced ongoing IT professional service costs; reduced telecommunications contracts; and a reduction in Attorney General Fees to reflect the resolution of the Cover Oregon litigation.

Other Funds expenditure authority is reestablished in the budget in the amount of \$1.4 million from the Compact of Free Association (COFA) Islander Fund. The funding is used to provide insurance premium and out of pocket expense assistance to qualified COFA islanders residing in Oregon. The limited duration position that was established in the prior biennium to provide administrative support to the program has been extended through the 2017-19 biennium.

Four long-term vacant positions were eliminated in the Central Services Division and Division of Financial Regulation. Additionally, a single position and Other Funds expenditure limitation (1.50 FTE) were removed from the Central Services Division to account for the transfer of the position and the centralization of all information systems security functions within the Department of Administrative Services per Executive Order 16-13.

The budget also provides increased personnel capacity for workload increases in the Oregon Occupational Safety and Health Administration (OSHA) and Building Codes divisions. The OSHA program includes an additional \$1.9 million in Other Funds expenditure limitation to fund nine positions (six enforcement positions and three workplace consultation positions) that will provide a greater enforcement presence and more consulting services around workplace safety in Oregon with the goal of maintaining or reducing the rate of workplace injuries and illnesses, which have recently leveled off after a long period of decline. The Building Codes Division was provided an additional \$1.8 million Other Funds expenditure limitation for the establishment of 10 positions (three positions for code development, two administrative support positions, two plans examiners in the Pendleton and Coos Bay field offices, one structural and mechanical inspector, a plumbing Inspector, and one electrical inspector).

### **Board of Dentistry**

The Board's 2017-19 budget totals \$3,277,010 Other Funds and includes 8.00 positions (8.00 FTE). This budget is a 7.6% increase from the 2015-17 legislatively approved budget, and the projected ending balance of \$758,549 will leave the Board with approximately 5.6 months of operating expenses. The budget includes increases in limitation for board member per diem compensation rates and management decisions related to board meetings including: providing security at public meetings, purchasing tablets for board member usage, and holding three additional meetings to review certain industry safety initiatives. Finally, the budget also includes a reduction for the phase-out of contract investigative services with the fully phased-in Dental Investigator position established in 2015.

### **Medical Board**

The 2017-19 legislatively adopted budget for the Medical Board totals \$12,595,547 Other Funds and includes 40 positions (40.00 FTE). The budget is an 8.4% increase from the 2015-17 legislatively approved budget and is projected to leave an ending fund balance of \$6 million Other Funds, roughly equal to 11 months of operating expenses. The budget provides one-time expenditure limitation to support a coalition effort to develop and implement local physician wellness programs, and ongoing limitation to establish an investigative staff position and to compensate members of the Board for their time spent preparing for Board and Investigative committee meetings.

### **Board of Nursing**

The 2017-19 legislatively adopted budget for the Board of Nursing totals \$16,595,386 Other Funds and includes 49 positions (48.90 FTE). The budget is a 4.8% increase from the 2015-17 legislatively approved budget and is projected to leave an ending fund balance of \$4.1 million Other Funds, roughly equal to six months of operating expenses. The budget provides expenditure limitation of \$541,123 to reclassify several positions, and permanently establish one investigative and one licensing staff position.

### **Mental Health Regulatory Agency**

The Agency's 2017-19 budget totals \$3,518,315 Other Funds and includes 12 positions (11.25 FTE). The budget is a 19.1% increase from the 2015-17 legislatively approved budget. The budget merges the

budget structures of the Board of Psychologist Examiners (Board of Psychology) into the budget structure of the Board of Licensed Professional Counselors and Therapists (BLPCT). The budget includes \$512,350 Other Funds, 3 positions (4.00 FTE). With increasing mental health awareness, both boards have seen a continuing increase in the number of applicants and licensees. This package will enable the boards to handle the workload associated with the increase in licensees. The budget also includes \$104,328 to cover the integration of the two Boards' online databases, as well as \$55,762 Other Funds and one limited duration position (0.25 FTE) to work with existing staff to promulgate rules and develop the prescriptive authority certificate program established in HB 3355.

### **Mortuary and Cemetery Board**

The Board's 2017-19 budget totals \$2,152,200 Other Funds and includes 7.00 positions (7.00 FTE). The budget is a 1.6% increase from the 2015-17 legislatively approved budget and the projected ending balance of \$924,087 will leave the Board with approximately 10.3 months of operating expenses. The budget includes an update of the cost allocation model for the accountant position shared by the Health-Related Licensing Boards and housed in the Mortuary and Cemetery Board. A budget note was also included directing the Health-Related Boards to assess information technology needs and requirements for licensing databases, as well as support for other IT systems, and report back to the 2018 Legislature on the assessment.

### **Board of Naturopathic Medicine**

The Board's 2017-19 budget totals \$799,923 Other Funds and 3 positions (3.00 FTE). The budget is a 9% increase from the 2015-17 legislatively approved budget and the projected ending balance of \$284,224 will leave the Board with approximately 8.5 months of operating expenses. The budget includes an increase to the existing Investigator position from part-time to full-time to address increasing investigative workload. Additionally, the budget includes an update of the cost allocation model for the shared accountant position, and a transfer-out to the Oregon Health Authority for the workforce database fee.

### **Occupational Therapy Licensing Board**

The Board's 2017-19 budget totals \$483,425 Other Funds and includes 2 positions (1.50 FTE). The budget is a 1.9% increase from the 2015-17 legislatively approved budget and the projected ending balance of \$181,818 will leave the Board with approximately nine months of operating expenses. The budget includes an update of the cost allocation model for the shared accountant position and makes minor budget modifications to better reflect actuals.

### **Board of Medical Imaging**

The Board's 2017-19 budget totals \$886,265 Other Funds and includes 3.00 positions (3.00 FTE). The budget is a 6.1% decrease from the 2015-17 legislatively approved budget and the projected ending balance of \$206,306 will leave the Board with approximately 5.5 months of operating expenses. The budget includes an update to the cost allocation model for the shared accountant position, a transfer-out to the Oregon Health Authority for the workforce database fee, and minor budget modifications to better reflect actuals.

### **Board of Examiners for Speech-Language Pathology and Audiology**

The Board's 2017-19 budget totals \$615,945 Other Funds and includes 2 positions (2.00 FTE). The budget is a 9.5% decrease from the 2015-17 legislatively approved budget and the projected ending balance of \$265,411 will leave the Board with approximately 10.3 months of operating expenses. The

budget includes an update to the cost allocation model for the shared accountant position, a transfer-out to the Oregon Health Authority for the workforce database fee, and eliminates an investigator position (0.50 FTE) that had been approved as limited duration in 2015. Finally, the budget includes a budget note directing the board to conduct a review of its complaint and investigation process and workload and report back to the 2018 Legislature on that review.

### **Veterinary Medical Examining Board**

The Board's 2017-19 budget totals \$973,220 Other Funds and includes 4 positions (3.75 FTE). The budget is a 4.7% increase from the 2015-17 legislatively approved budget and the projected ending balance of \$645,027 will leave the Board with approximately 15.9 months of operating expenses. The budget includes an update to the cost allocation model for the shared accountant position and adjusts the expenditure limitation and position authority for the permanent full-time Investigator 2 position that was approved in 2015.

### **Bureau of Labor and Industries**

The legislatively adopted budget for the Bureau of Labor and Industries includes \$13.1 million in General Fund support. The total funds 2017-19 legislatively adopted budget includes \$27,821,681 and 105 positions (103.38 FTE). Reductions to current service level eliminated two positions in the Wage and Hour division and one position in the Civil Rights division. These reductions were almost entirely offset by General Fund support for two permanent positions and one limited duration position to accommodate agency training and investigatory responsibilities under SB 828 (2017); that bill requires employers in certain industries to provide estimated work schedules to employees.

### **Board of Pharmacy**

The Board's 2017-19 budget totals \$7,335,399 Other Funds and includes 20.00 positions (20.00 FTE). The budget is a 7.6% increase from the 2015-17 legislatively approved budget and the projected ending balance of \$1,816,816 will leave the Board with approximately 5.74 months of operating expenses. The budget includes a carryover of \$351,989 from the 2015-17 biennium to complete the implementation of the agency's licensing and compliance database upgrade. The budget also includes \$69,260 to establish a partnership with Pacific University School of Pharmacy to offer a one-year fellowship designed to transition the fellow from a general practitioner to a regulatory pharmaceutical specialist and clinical educator.

### **Public Utility Commission**

The 2017-19 legislatively adopted budget for the Public Utility Commission is \$45,128,415 Other Funds, \$56,290,822 Nonlimited Other Funds, \$715,100 Federal Funds, and 126 positions (125.13 FTE). The budget is an 11.7% decrease from the 2015-17 legislatively approved budget. It provides \$400,000 in Other Funds expenditure limitation for a new filing and e-discovery system to replace the existing filing and docketing system. The budget includes increased revenues of \$242,996 from expanding the base of telecommunications subscribers subject to the Residential Services Protection Fund surcharge to include customers of interconnected VoIP service as required by SB 84 (2017).

### **Real Estate Agency**

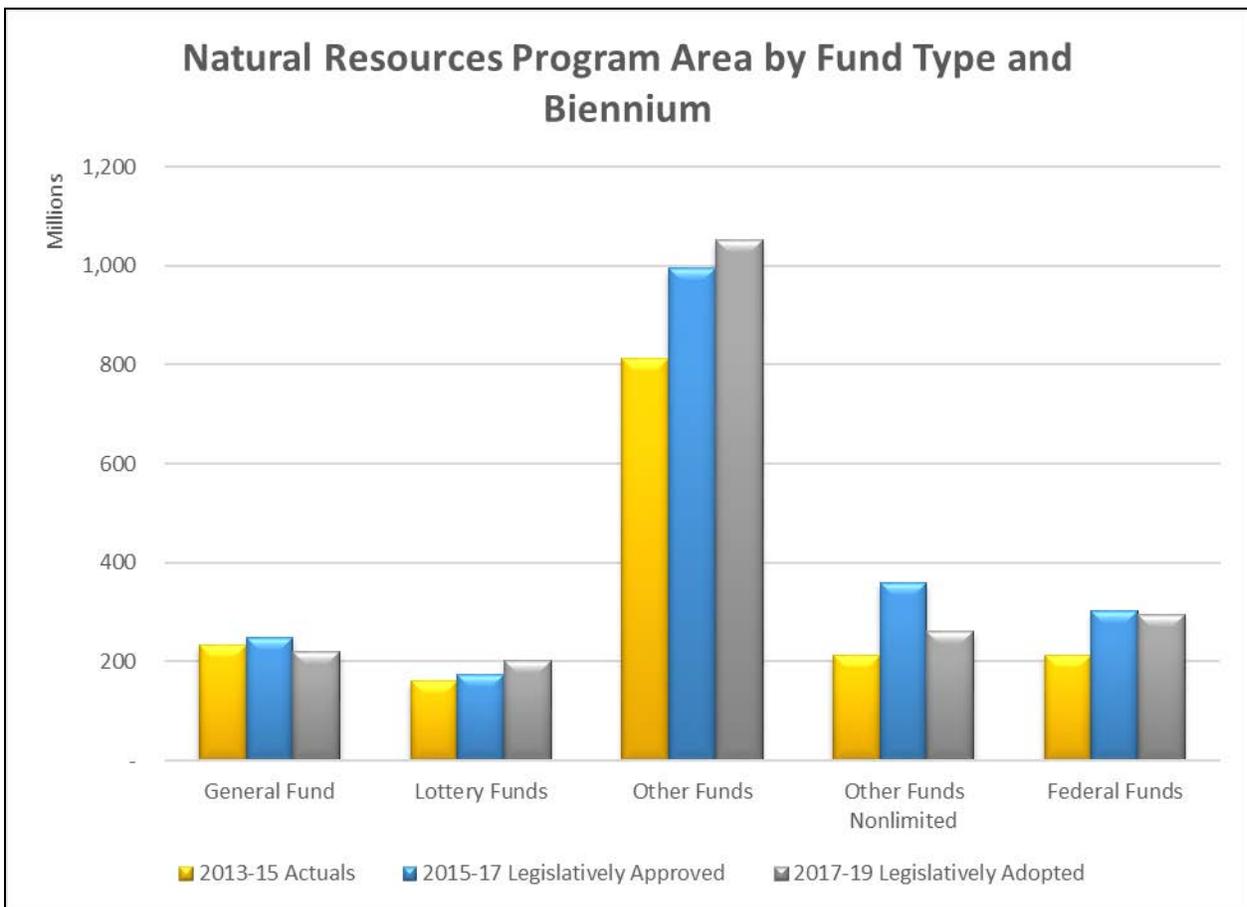
The 2017-19 legislatively adopted budget for the Real Estate Agency totals \$7,621,789 Other Funds and includes revenue from fee changes approved for the agency in SB 68 (2017). The fees provide for continuation of the agency's current service level of \$7.9 million Other Funds and 29 positions (29.00 FTE).

### Board of Tax Practitioners

The Board's 2017-19 budget totals \$1,042,020 Other Funds and includes 3 positions (2.50 FTE). The budget is a 17.4% reduction from the 2015-17 legislatively approved budget and the projected ending balance of \$207,815 will leave the Board with approximately 5 months of operating reserves. The budget accounts for cost savings activities that were implemented in the 2015-17 biennium, including relocating the office to a less expensive space and decreasing staff by abolishing a vacant Compliance Specialist 2 (1.00 FTE) position and reducing one permanent full-time Administrative Specialist 1 to a permanent part-time (0.50 FTE) position.

### NATURAL RESOURCES PROGRAM AREA

The legislatively adopted total funds budget for the fourteen agencies comprising the Natural Resources Program Area totals \$2.03 billion. This amount is \$48.4 million (2.33%) less than the legislatively approved budget for the 2015-17 biennium. The Natural Resources Program Area budget represents roughly 2.73% of the state's budgeted biennial expenditures.



Nonlimited Federal Funds of \$104,000 at the Department of Energy are not displayed.

General Fund appropriations made to Natural Resources agencies decreased by \$27.9 million, or 11.2%, from the 2015-17 legislatively approved budget. Those agencies that have typically received General Fund to support their functions in prior biennia generally saw reductions or just nominal increases to the General Fund support. The most notable of these is a \$33.9 million net reduction in General Fund to the Department of Forestry that includes the phase-out of roughly \$37.9 million in General Fund for unbudgeted forest fire protection costs. This reduction was partially offset by a \$3 million ongoing

investment in the Federal Forest Health Program. In contrast to those reductions, the Department of State Lands was provided a General Fund appropriation of \$5 million for work related to the Portland Harbor Superfund Site cleanup and the Department of Environmental Quality received a net increase in General Fund of \$6.5 million for various programs including additional air quality monitoring equipment and personnel.

Lottery Funds utilized in the Natural Resources Program Area are comprised entirely from the allocation of lottery revenues to the Parks and Natural Resources Fund, as required by the Oregon Constitution by Measures 68 and 76 (2010), with the exception of \$10.9 million that is dedicated to debt service. Forecasted distributions of lottery revenues to the Parks and Natural Resources Fund for the 2017-19 biennium total \$191.5 million. Total budgeted expenditures for the 2017-19 biennium of constitutionally dedicated Lottery Funds are \$191.6 million, the difference accounted for by residual fund balance. Overall, 2017-19 legislatively adopted Lottery Funds expenditures for the Natural Resources Program Area total \$202.5 million, an increase of \$27.1 million (15.5%) over the 2015-17 legislatively approved budget.

Other Fund revenues, principally generated through fee assessments and other regulatory actions, continue to be the largest funding source for the Natural Resources Program Area. An increase in Other Funds expenditure limitation of \$56.6 million is primarily attributable to bonding activity, but also includes a shift in funding at the Department of Agriculture away from General Fund revenues and on to fee revenues; additional Other Funds revenues at the Department of Environmental Quality related to the Volkswagen diesel emissions settlement; and increased federal fund pass-throughs from the Office of Emergency Management to the Department of Land Conservation and Development. Other Funds expenditure limitation at the Department of Forestry increased by \$42.7 million from the 2015-17 legislatively approved budget, primarily as a result of the net difference between a \$100 million increase to allow for expenditure of Certificate of Participation proceeds to finance the release of all or a portion of the Elliott forest from restrictions resulting from ownership of that forest by the Common School Fund, and reductions due to the phase-out of emergency firefighting costs. Additional Other Funds expenditure limitation due to bond proceeds is also included in the budgets of the Department of Fish and Wildlife, Department of State Lands, and the Water Resources Department.

### **Department of Agriculture**

The adopted budget for the Department of Agriculture totals \$114.5 million. The budget includes \$22.3 million General Fund, \$8.1 million Measure 76 Lottery Funds, \$66.6 million Other Funds, \$17.5 million Federal Funds, and 489 positions (370.46 FTE). The total funds budget is 1.8% higher than the 2015-17 legislatively approved budget level. The General Fund budget is 9.4% lower than 2015-17 budget due to shifting Food Safety, Pesticide Analytical Response Center, and other program support from General Fund to Other Funds and Federal Funds, elimination of a marketing position, and statewide cost control adjustments. Measure 76 Lottery Funds increased over 2015-17 levels because of the one-time addition of \$1.3 million to combat the invasive Japanese Beetle and Apple Moth.

The Other Funds budget increased by \$4 million over 2015-17 due largely to the shifting of program funding from General Fund to Other Funds, lab equipment purchases, additional staffing in the Food Safety and Weights and Measures programs, and a fee increase in the nursery program. Federal Funds expenditure limitation of \$1.4 million was added to help Oregon's produce farmers comply with the federal Food Safety Modernization Act. The total number of positions approved for 2017-19 is 38 (or 7.2%) lower than 2015-17 due to the elimination of 48 long-term vacant positions.

### **Columbia River Gorge Commission**

The Columbia River Gorge Commission's legislatively adopted Oregon budget for the 2017-19 biennium totals \$992,000 General Fund. The budget is a 7.8% increase from the 2015-17 legislatively approved budget and is 3% above the 2017-19 current service level. The states of Oregon and Washington are required by interstate compact to equally share the operational costs of the Commission. The Oregon adopted budget includes \$960,000 for joint operational expenses and \$32,000 for Oregon commissioner expenses. Due to the length of the Washington legislative session in 2017, Oregon passed its budget for the Commission first and then made final adjustments in HB 5006 at the end of the Oregon legislative session to match the amount budgeted for joint operational costs by Washington. There are no Oregon positions or FTE associated with the Commission; all Commission staff are counted as State of Washington employees.

### **Department of Energy**

The legislatively adopted budget for the Department of Energy is \$160 million total funds and includes \$3 million Lottery Funds for debt service, \$35.2 million Other Funds, \$2.4 million Federal Funds, \$119.3 million Other Funds Nonlimited, \$104,000 Federal Funds Nonlimited, and 97 positions (93.87 FTE). The agency does not receive General Fund. Nonlimited Other Funds and Federal Funds limitation is provided for the Small-Scale Energy Loan Program (SELP); however, no bond authority was approved to finance new loans.

The total funds budget is \$94.1 million (or 37%) less than the 2015-17 legislatively approved budget. A significant portion of the decrease is attributable to the phase out of \$71.9 million Nonlimited Other Funds associated with a refunding of outstanding SELP bonds. An additional \$21.6 million of Nonlimited Other Funds expenditure limitation was removed to reflect limited activity in the SELP program.

Excluding Nonlimited funds, the budget is a 1.5% decrease from the 2015-17 legislatively approved budget. Other Funds totaling \$1.4 million and one position (5.25 FTE) were phased-out of the budget due to the scheduled sunset of the energy incentive programs on January 1, 2018. The remaining positions and FTE associated with energy incentive programs will be phased-out during development of the 2019-21 budget. Federal Funds were reduced by \$745,867 to align the budget with anticipated federal awards. Reductions of \$2.5 million Other Funds and nine positions (6.66 FTE) were also approved to decrease expenditures supported by the Energy Supplier Assessment (ESA) and to eliminate long-term vacant positions. The budget includes Other Funds limitation increases totaling \$1.3 million, supported by ESA revenues, to continue the limited duration Governor's Energy Policy Advisor position; implement an industry standard Customer Relationship Management (CRM) system that will allow the Department to manage and analyze customer interactions and data across divisions; and support increased Attorney General costs due to anticipated and ongoing litigation. In addition, an Other Funds limitation increase of \$202,097 is included to make the Fiscal Analyst 2 responsible for the Energy Facility Siting Division's financial process controls a permanent position.

The budget also reflects the transfer of the State Home Oil Weatherization (SHOW) program from the Department of Energy to the Housing and Community Services Department approved in SB 100 (2017). The transfer is effective January 1, 2018 and results in an Other Funds expenditure limitation decrease of \$568,250.

### **Department of Environmental Quality**

The legislatively adopted budget for the Department of Environmental Quality is \$44.6 million General Fund, \$4.6 million Measure 76 Lottery Funds, \$169.6 million Other Funds, \$28.6 million Federal Funds, and 745 positions (723.89 FTE). The budget total also includes \$132 million of Nonlimited Other Funds for Clean Water State Revolving Fund loan activities and debt service.

The total funds budget is \$22.9 million (or 6.4%) higher than the 2015-17 legislatively approved budget level. The General Fund budget is \$6.5 million (or 17%) higher than 2015-17 due largely to state investments in: air quality monitoring equipment and positions; low interest loans to replace failing septic systems; wood stove replacement funding in the wood smoke reduction program; and planning for an information technology replacement project. The 2017-19 Other Funds budget is \$16.5 million higher than 2015-17 due largely to the inclusion of \$10.7 million for expenditure of Volkswagen diesel settlement funds to replace school bus engines, a \$2.5 million addition to solid waste disposal programs, and fee increases in the underground storage tank inspection program. Finally, a total of 16 long-term vacant positions were eliminated for total funds savings of \$2 million.

### **Department of Fish and Wildlife**

The Department of Fish and Wildlife 2015-17 budget totals \$358.1 million, which includes \$28.4 million General Fund, \$5.2 million Measure 76 Lottery Funds, \$191.4 million Other Funds, \$133.1 million Federal Funds and 1,375 positions (1,154.05 FTE). The Department's total funds budget is slightly lower than 2015-17 levels, but the total number of positions is 7.2% lower than the 2015-17 legislatively approved budget level. General Fund support is 8.8% lower than approved 2015-17 appropriations. General Fund reductions include eliminating two of the five positions remaining in the Western Oregon Stream Restoration program, eliminating three fish monitoring positions, and eliminating the final General Fund payment to the Columbia River Fisheries Transition Fund. This Transition Fund has never been accessed since its creation in the 2013-15 biennium.

The total number of positions is 7.2% lower than in 2015-17 due largely to elimination of 82 vacant positions. 2017-19 Other Funds expenditure limitation is \$10.9 million (or 6%) higher than 2015-17 due largely to the inclusion of \$10 million in capital construction expenditure limitation from Article XI-Q bonds to be sold in spring 2019. These bond proceeds will be used to complete deferred maintenance projects at agency facilities across the state. Federal Funds expenditure limitation is 6.7% lower than 2015-17 due to elimination of vacant positions and reductions in federal funds expenditure limitation to better align the 2017-19 budget with historical patterns of federally supported expenditures.

### **Department of Forestry**

The 2017-19 total funds budget for the Department of Forestry is \$445,103,704 and supports 1,181 positions (867.30 FTE). This amount is 0.17% higher than the 2015-17 legislatively approved budget; however, \$100 million of Other Funds expenditure authority included in the 2017-19 budget is for the expenditure of proceeds from the sale of certificates of participation related to the Elliot State Forest and another \$3.9 million for capital construction costs. The 2015-17 legislatively approved budget included \$112.5 million in emergency fire costs. After removing the extraordinary items, the net operational budget change between the 2015-17 and the 2017-19 biennium is an increase of roughly \$9.3 million (or 2.82%).

The legislatively adopted budget includes the conversion of the funding for an existing position from Federal Funds to General Fund (\$76,482) and an additional \$200,000 General Fund to support

Rangeland Fire Protection Association activities, including subsidizing the cost of liability insurance for the associations. The establishment of a position to act as an Aviation Coordinator was approved at a cost of \$67,000 General Fund and \$133,824 Other Funds. The position will primarily be managing severity resources aviation contracts.

A General Fund reduction of \$500,000 is included in the budget from the \$2 million General Fund previously appropriated to subsidize the cost of fire patrol assessments for low-productivity private woodlands east of the crest of the Cascades. A General Fund appropriation of \$450,000 was added to the existing budget for work to contain or eliminate Sudden Oak Death. The additional funding is prioritized for the treatment of the European clonal lineage. Although not included in the total budget amounts above, the agency's budget bill also included an appropriation of \$6 million General Fund to the Emergency Board for allocation to the Department of Forestry for severity resources (\$4 million) and anticipated catastrophic fire insurance premium costs (\$2 million).

General Fund reductions of \$1.38 million in the Fire Protection Division and \$296,632 in the Private Forests division for the support of agency administrative functions are included in the budget along with a corresponding reduction in Other Funds expenditure limitation for the Agency Administration division.

Additional Other Funds expenditure limitation of \$1,115,249 was provided to the agency and reductions from current service level were made to the General Fund budgets in the Fire Protection and Private Forests divisions to reconcile the agency's budget to the projected cost of implementation of an electronic procurement and payment system that includes the establishment of a statewide instance of the software, the cost of which is shared by ODF and nine other agencies. Most this amount (\$1.09 million Other Funds) is for one-time costs of program implementation, the majority of that amount funded from payments to ODF by participating agencies.

A reduction in Other Funds expenditure limitation of \$3.46 million was made to the State Forest Division and includes the elimination of eleven positions (11.00 FTE) to account for reductions in revenues due to the reduction in Department of State Lands forest land under contract with ODF resulting from the Elliot State Forest being withdrawn from the management contract.

The legislatively approved budget makes permanent the previously one-time funding for the Federal Forest Health Program. A General Fund appropriation of \$3 million is provided to the agency for the program along with \$692,070 Other Funds and \$510,798 Federal Funds expenditure limitation. The total funding of \$4.2 million is split between collaborative group support, state and federal partnerships, and program administration. Five new positions (4.83 FTE) are established in the program. Prior biennium funding included \$5 million Lottery Funds in the 2015-17 biennium and \$2.885 million Lottery Funds in the 2013-15 biennium.

### **Department of Geology and Mineral Industries**

The Department's 2017-19 budget totals \$17.4 million and includes 43 positions (42.92 FTE). This is 3.7% lower than the 2015-17 legislatively approved budget. The General Fund total has decreased 3.7%, the Other Funds limitation has increased 8.1%, and the Federal Funds limitation has decreased 14.5%.

The budget includes the carry-forward of information technology (IT) resources provided by the May 2016 Emergency Board for the agency's IT remediation plan, including two permanent full-time Information Systems Specialist positions, funds for hardware lifecycle replacement, and IT hosted

services through the Office of the State Chief Information Officer. Additionally, the budget includes establishment of five permanent positions to work on LIDAR and hazard projects that had previously been limited duration for multiple biennia, and the reclassification of four positions from the ISS classification to the more appropriate Natural Resource Specialist classification.

### **Department of Land Conservation and Development**

The Department's 2017-19 total funds budget is \$21,108,375 and includes 58 positions (56.90 FTE). This amount is 1.9% higher than the 2015-17 legislatively approved budget. General Fund, which makes up roughly 61.4% of the agency's budget, totals \$12,951,689, a 4.7% decrease from the 2015-17 legislatively approved budget, as \$888,000 in one-time General Fund appropriations are phased-out. Additional General Fund reductions for increased vacancy savings, reduced use of temporary employees, and unspecified reductions in services and supplies totaling \$148,938 were included as well.

Two long-term, federally-funded positions were eliminated from the agency's budget due to the ongoing reduction in federal grant funding for the Ocean and Coastal Planning program, as a result of deficiencies in the state's nonpoint pollution control program as determined by National Oceanic and Atmospheric Administration (NOAA).

Additional Other Funds expenditure limitation of \$1.08 million is included in the agency's budget along with the establishment of three limited duration positions (3.00 FTE) to support hazard mitigation planning by local governments and to update the statewide natural hazard mitigation plan, which is due for re-approval in 2020. Federal funds expenditure limitation of \$339,804 was added to the budget for RiskMAP work and for assistance to local governments in compliance with the Endangered Species Act in local floodplain regulations. This federal funding is from anticipated Federal Emergency Management Agency (FEMA) grants and supports a single limited duration position (1.00 FTE) to support the local planning work.

### **Land Use Board of Appeals**

The Land Use Board of Appeals 2017-19 total funds budget is \$1,960,750 supporting 6 positions (6.00 FTE). This amount is 4.6% higher than the 2015-17 budget. The General Fund budget for the agency totals \$1,927,050, a 4.4% increase from the 2015-17 legislatively approved budget and includes funds to reclassify a position from Executive Support Specialist I to Executive Support Specialist II.

### **Department of State Lands**

The 2017-19 budget for the Department of State Lands is \$65,420,766 total funds supporting 111 positions (109.33 FTE). This is \$7.42 million (or 12.8%) higher than the 2015-17 legislatively approved budget. A General Fund appropriation of \$5 million is included in the budget for deposit into the Portland Harbor Cleanup Fund established by SB 5530 (2017). An additional \$3 million of net proceeds from lottery bonds are also budgeted for deposit in the fund. An Other Funds expenditure limitation is included in the budget for the total \$8 million fund balance to support expenditures from the fund. An Other Funds expenditure limitation of \$6.33 million from the Common School Fund is included in the budget for legal expertise related to the Portland Harbor Superfund site. The funding includes the provision of one limited duration position (1.00 FTE), as well as funding for professional service contracts and Attorney General expenses. In addition, a project management position (1.00 FTE) and \$268,447 Other Funds expenditure limitation is established at the agency to work on the Elliott Forest, Portland Harbor Superfund site, and the Goble cleanup site.

As a result of the State Land Board's decision to retain public ownership of the Elliott State Forest, and the discontinuance of the Elliott Forest management contract with the State Department of Forestry, \$3.72 million Other Funds expenditure limitation is included in the agency's budget for expenses related to a custodial management contract, fire patrol assessments, and development of a Habitat Conservation Plan and Environmental Impact Statement for the Elliott.

Other Funds expenditure limitation of \$574,321 for the continuation of work on historical filled lands that began in the prior biennium is included in the budget along with the addition of four limited duration positions (2.83 FTE); two of which (0.83 FTE) are extended from the prior biennium. Additional Other Funds expenditure limitation is included in the budget for the addition of a position (1.00 FTE) for Trust Lands management projects, a position (0.50 FTE) to monitor compliance with the Candidate Conservation Agreement related to the greater sage grouse, vehicle replacement, and capital improvement projects totaling \$468,949.

The budget includes \$541,323 Federal Funds expenditure limitation in addition to the ongoing federally funded support of the South Slough National Estuarine Research Reserve (SSNERR) for anticipated federal grant awards for wetland mitigation projects and construction at the Estuarine and Coastal Science laboratory.

### **Marine Board**

The Marine Board's total funds budget for 2017-19 is \$33,554,986 and 39 positions (39.00 FTE). The budget, which is a 1.24% decrease from the 2015-17 budget, includes \$26,923,945 Other Funds expenditure limitation and \$6,631,041 Federal Funds expenditure limitation. The Board's funding comes from three major sources: license and fee revenue, motor boat fuel tax revenues, and federal grants. The 2017-19 legislatively adopted budget essentially continues the current service level for the agency and makes permanent one position for the Guide and Outfitter program.

### **Parks and Recreation Department**

The total funds budget for the Department of Parks and Recreation totals \$217,095,213 for the 2017-19 biennium and supports 867 positions (596.05 FTE). The agency's budget is 4.3% higher than the 2015-17 legislatively approved budget. The budget recognizes revenue estimates from anticipated fees, transfers, and Lottery Funds as projected in the May 2017 forecast; corresponding adjustments to revenue distributions to counties and local governments are included. The budget includes \$7.5 million in Other Funds expenditure limitation for lottery bond proceeds funding the Oregon Main Street Revitalization program, for preservation-based community revitalization and economic development. This amount includes a carry-forward limitation of \$2.5 million associated with bonds issued in the 2015-17 biennium and \$5 million for bonds anticipated to be issued in the current biennium. An additional \$6.5 million of increased Federal Funds expenditure limitation is authorized in the budget for maritime grants, land and water conservation grants, and the recreational trails grant program.

The budget makes a substantial investment (\$3.5 million all-funds) in additional staffing (21 net positions, 19.97 FTE) for predominately front-line positions to address the increase in park use and the number of park properties. A General Fund appropriation to the Department of \$218,894 was included in HB 3350 (2017) for the establishment of an Associate Director of Outdoor Recreation to oversee the State Office of Outdoor Recreation, providing among other things, the coordination of outdoor recreation policy; assisting in the development or updating the outdoor recreation management

strategies of the Department; coordinating with the Oregon Tourism Commission and Travel Information council; and serving as a clearing house and information center for outdoor recreation stakeholders.

### **Water Resources Department**

The Department's 2017-19 total funds budget is \$98,623,681 supporting 170 positions (167.59 FTE). This amount is 9.8% below the 2015-17 legislatively approved budget. The reduction is entirely attributable to the phase-out of \$33.4 million Other Funds expenditure limitation related to the Water Development Administration and Bond Sinking Fund. The General Fund budget for the agency totals \$31,483,809, an 0.84% increase from the 2015-17 legislatively approved budget.

Certain water right fees that were established in 2013 were scheduled to sunset at the end of the prior biennium, reverting to 2009 rate levels. SB 2295 (2017) eliminated the sunset and increased those fees by an average of 15.88%. Additionally, SB 2296 (2017) included an increase in landowner-dug well permit fees. Together, these fee changes are anticipated to generate just over \$500,000 in Other Funds revenue during the 2017-19 biennium.

A new dam safety engineer position is included in the budget with position funding of \$245,222 split evenly between dam inspection fees and federal funding for dam safety programs. General Fund in the amount of \$203,870 was added to support a limited duration position for place-based water resource planning and feasibility studies. Support was also included in the budget to establish five former county positions as state positions in Umatilla County. The positions will be funded by federal contract payments (\$443,667 Federal Funds), General Fund (\$333,677), and county contract payments (\$100,000 Other Funds).

Lottery bond issuance was approved to fund various programs within the Department. The budget for the agency includes \$22,622,536 Other Funds expenditure limitation for lottery bond proceeds, including \$422,536 for bond issuance costs. No debt service expenditures are included in this biennium's budget for these bonds since the bonds are not anticipated to be issued until the end of the biennium. However, Lottery Funds for debt service of \$3.95 million is included in the budget for bonds issued in prior biennia. The bond proceeds net of issuance costs are allocated as follows:

- \$1.5 million for feasibility studies and initial implementation of water conservation, reuse, and storage projects.
- \$15 million additional capitalization of the Water Supply Development Fund.
- \$4.5 million for water supply and storage projects at the City of Carlton.
- \$1.2 million for water supply projects at the Santiam Water Control District.

General Fund reductions are included in all of the agency's operating programs including: a \$400,000 reduction in ongoing funding for water supply development feasibility studies; a \$100,000 reduction in funding for observation wells, a reduction of \$50,000 for gauging stations; and a \$100,000 reduction in personal services funding.

### **Oregon Watershed Enhancement Board**

The budget for the Oregon Watershed Enhancement Board (OWEB) is divided into two areas, grants and operations. The Legislature provided OWEB with a total of \$6.8 million in Measure 76 Lottery Funds, \$17,000 Other Funds, \$2.3 million Federal Funds, and 33 positions (33.00 FTE) to support administration of the grant program. In addition, HB 3249 (2017) provided OWEB with \$190,000 General Fund to support

the new Oregon Agriculture Heritage Commission established in the bill. General Fund was provided because Commission expenses are not an allowable use of constitutionally dedicated Lottery Funds.

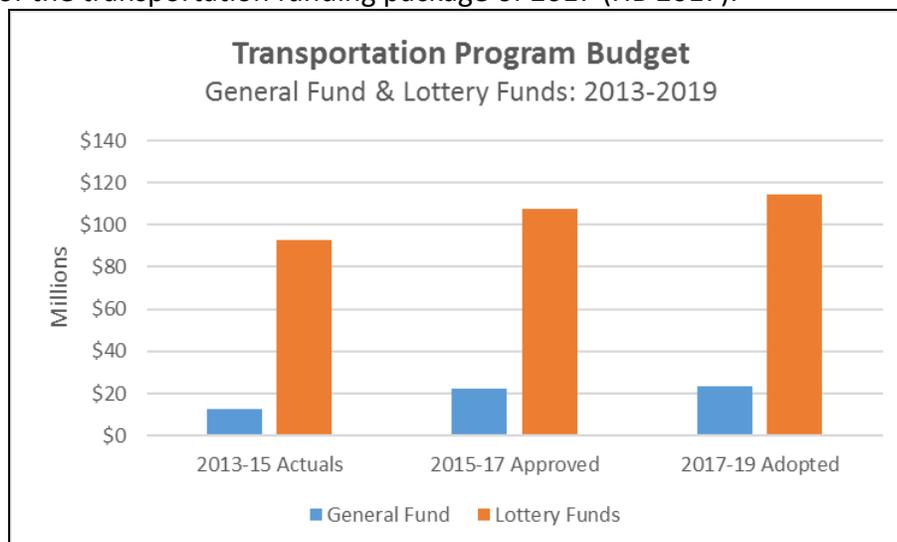
The grant program budget is \$3 million Other Funds and \$39.3 million Federal Funds. All Other Funds from the sales of Salmon Plates are in the grants program, where they are used solely for grants. Most of the federal monies are derived from the federal Pacific Coastal Salmon Recovery Fund. The grants program budget also included \$67.6 million in Lottery Funds expenditure limitation (to be available for a 6-year period) for new grants awarded during the 2017-19 biennium. Many of the grant projects awarded Lottery Funds awards by OWEB are multi-year efforts and OWEB only makes final grant payments upon completion of the project. The Legislature addresses this by treating the local grants portion of the OWEB budget like capital construction projects, which have a six-year limitation, allowing time for approved grant projects to be completed.

### TRANSPORTATION PROGRAM AREA

The Transportation Program Area includes the Department of Transportation (ODOT) and the Department of Aviation. Transportation agencies are primarily funded by revenues generated through motor and jet fuel taxes, licenses and fees, bond revenue, and Federal Funds. The State Highway Fund is shared between ODOT, counties, and cities. Oregon’s population growth rate, employment levels, vehicle fuel efficiency, and E-commerce continue to influence traffic congestion and demands for maintenance, pavement preservation, Driver and Motor Vehicle (DMV) services, and Motor Carrier Transportation activities.

The 2017-19 legislatively adopted budget for the Transportation program area totals \$3.96 billion, which is comprised of \$23.5 million General Fund, \$114.6 million Lottery Funds, \$3.7 billion Other Funds, and \$115 million Federal Funds. The budget also includes \$18.2 million in Nonlimited Other Funds for the Infrastructure Bank Loan program activity and \$21.6 million in Nonlimited Federal Funds for debt service supported by Federal Funds.

Excluding Nonlimited Funds, the total program area budget for 2017-19 is approximately \$263 million (or 7.2%) above the 2015-17 legislatively approved budget. The increase in total funds is primarily due to projected payouts on projects in the Statewide Transportation Improvement Program, and spending for implementation of the transportation funding package of 2017 (HB 2017).



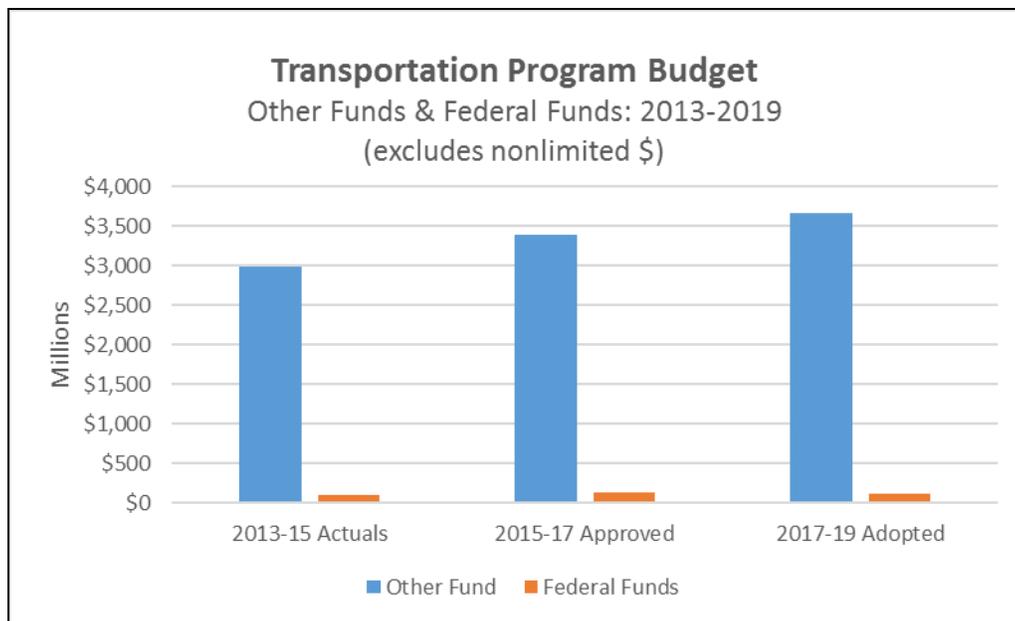
### Department of Aviation

The Department of Aviation is supported entirely by Other Funds and Federal Funds. The agency's total funds budget is \$22 million, which is \$615,204 (or 2.9%) higher than the 2015-17 approved budget. The Aviation budget includes \$5.3 million in capital construction approved for airport improvement projects at the Bandon, Chiloquin, Lebanon, and McDermitt state airports.

### Department of Transportation

The ODOT total funds budget is \$3.9 billion, excluding Nonlimited funds, which is \$262.5 million (or 7.2%) higher than the 2015-17 approved budget. General Fund resources for ODOT increased by \$1.4 million (or 6.3%) from the 2015-17 approved budget. The Legislature authorized \$10 million General Fund for operating the Amtrak *Cascades* passenger rail service and \$9.3 million General Fund for Senior and Disabled Transportation grants. In addition, \$4.2 million General Fund was included for debt service payments on highway safety projects.

Lottery Funds expenditure limitation increased by \$7.1 million (or 6.6%) compared to the 2015-17 biennium. The Legislature approved the use of lottery-backed bonds for \$30 million to fund *ConnectOregon VII*. Bond issuance costs for the 2017-19 biennium are estimated to be \$433,693, with no debt service on the new bonds in 2017-19 due to their planned sale in the spring of 2019.



The Other Funds budget increased by \$266.8 million (or 7.9%) from the 2015-17 legislatively approved budget level. The total Other Funds expenditure limitation includes:

- \$2 million for the Southwest Capitol Highway Project.
- \$5.6 million for ODOT capital improvement projects.
- \$6.3 million to replace the Ona Beach maintenance station.
- \$27 million for Phase II of the DMV Service Transformation Project.
- \$29.4 million for debt service on the State Radio Project.
- \$30 million for *ConnectOregon VII*.
- \$110.9 million to begin implementation of HB 2017 (2017), the transportation funding package.

Federal Funds expenditure limitation is decreased by \$12.3 million (or 9.6%) compared to the 2015-17 legislatively approved budget. The decrease reflects phase-outs of one-time rail expenses.

## **ADMINISTRATION PROGRAM AREA**

The Administration program area provides services to state agencies and local governments. Such services include: central administration and support of agencies, retirement administration, labor relations, government ethics and lobby regulation, library services, income and property tax administration, alcohol regulation, and pari-mutuel racing regulation. Additionally, it includes the Office of the Governor, financial and performance auditing, elections, and records management by the Secretary of State, and financial and investment activities of the State Treasurer. State pass-through funding is included for public broadcasting, county fairs, and the Historical Society, among others.

The 2017-19 legislatively adopted budget for the program area is \$13 billion total funds. The adopted budget is \$1 billion (or 8.5%) more than the 2015-17 legislatively approved budget and includes 3,105 positions (3,006.51 FTE). This program area accounts for 17.4% of the \$74.4 billion statewide total funds budget.

Of the adopted budget for this program area, \$11 billion (or 84.7%) is attributable to benefit payments to state and local government retirees, which is an increase of \$1.1 billion (or 11.5%) over the 2015-17 legislatively approved budget. The remainder of the program area budget totals \$2 billion and experienced a \$109.4 million (or 5.2%) decrease in funding over the prior biennium.

The program is supported by \$242.4 million General Fund (1.9%), \$23.8 million Lottery Funds (0.2%), \$1.6 billion Other Funds (12.1%), \$11.1 billion Other Funds Nonlimited (85.7%), and \$16.9 million Federal Funds (0.1%). Major sources of Other Funds revenue include: Public Employees Retirement System employer and employee contributions, including investment returns; assessments on state agencies and local government; corporate registration fees; and liquor sales. A portion of Other Funds revenue originates as General Fund.

Notable budget highlights are described below.

### **Department of Administrative Services**

The Other Funds Limited 2017-19 legislatively adopted budget for the Department of Administrative Services totals \$984 million, which is \$38 million (or 4%) above the 2015-17 legislatively approved totals. Other Funds Nonlimited totals \$130 million for 2017-19, which is \$148 million less than 2015-17 due to the phasing-out of Nonlimited Other Funds authority for disbursement of proceeds from bonds sold for the benefit of higher education during the 2015-17 biennium. Such disbursements will instead be made by the Higher Education Coordinating Commission during 2017-19.

Limited Other Funds reductions included \$5.1 million from vacancy savings due to an anticipated hiring slowdown, \$1.3 million from the elimination of six vacant positions, \$2.1 million due to the elimination of six Strategic Technology Officers, \$3.5 million in cuts at the State Data Center, and \$3.4 million from lower fuel and utilities costs. There were two major Other Funds expenditure limitation increases: \$9.1 million was added due to the transfer of 30 positions from 12 other state agencies and creation of five new positions to consolidate Information Technology security functions within the Office of the State

Chief Information Officer; and \$20.1 million and 33 positions, 30 of which are limited duration, were added to implement the new statewide human resources information system.

The budget contains \$6.3 million General Fund for various local projects involving fiber optics, the arts, public safety, health clinics, firefighting, and wine marketing. Also included is \$28.2 million Other Funds supported by revenues from the sale of lottery bonds for 10 projects around the state. Two local projects earmarked for the Medford region totaling \$2.6 million General Fund were vetoed by the Governor.

### **Fairs (County and State)**

Under ORS 565.447, County Fairs are provided state support (as a pass-through from DAS) for financial assistance related to county fair activities. For 2017-19, County Fairs are provided \$3,864,000 Lottery Funds, which is a \$216,000 increase over what would have been transferred under the existing formula. In addition, \$1,015,299 General Fund for state support of the State Fair was approved for transfer to the State Fair Council, which now operates the State Fairgrounds.

### **Oregon Historical Society**

The Oregon Historical Society was provided \$900,000 General Fund to support daily operations. This is a \$225,000 General Fund decrease from 2015-17. It should be noted that during the 2011-13 biennium no General Fund support was provided due to statewide budget constraints. The budget also includes \$360,652 Lottery Funds to cover the bond debt service costs related to payment of mortgage costs associated with the society's storage facility in Gresham.

### **Oregon Public Broadcasting**

Oregon Public Broadcasting (OPB) was provided \$500,000 General Fund to support daily operations. This is a \$250,000 General Fund decrease from 2015-17. No state General Fund support was provided during the 2011-13 biennium due to statewide budget constraints. In addition, \$1,572,415 Lottery Funds were allocated for debt service on bonds previously issued for infrastructure improvements.

### **Advocacy Commissions Office**

The budget for the Advocacy Commissions Office is \$706,617 total funds, which is a 5.6% increase from the 2015-17 legislatively approved budget. The budget includes \$697,136 General Fund, \$9,481 Other Funds, and three positions (2.50 FTE).

### **Employment Relations Board**

The budget for the Employment Relations Board is \$5 million total fund, including \$2.5 million General Fund and \$2.5 million Other Funds. The total funds budget is \$461,824 million (or 10.2%) more than the 2015-17 legislatively approved budget. The budget includes 13 positions (13.00 FTE) and continued funding for a private vendor to develop electronic filing for a case management system that is underdevelopment (\$30,000), compensation changes for the three Board members, the State Conciliator, as well as a reclassification of the Board's office manager (\$123,626), and a one-time fund shift of General Fund to fee revenue (\$250,000).

### **Government Ethics Commission**

The budget for the Government Ethics Commission is \$2.7 million Other Funds and includes nine positions (9.00 FTE), which is a 3.1% decrease from the 2015-17 legislatively approved budget. The decrease is primarily due to the removal of one-time costs associated with the development and

implementation of electronic filing and case management systems. An Other Funds expenditure limitation increase of \$34,874 was approved to reclassify the agency Executive Director position and the staff position that supports the Electronic Filing System.

### **Office of the Governor**

The Office of the Governor's total funds budget of \$26.9 million represents a 32.7% increase over the 2015-17 legislatively approved budget. This increase is entirely due to the transfer of the Oregon Commission on Voluntary Action and Service (Oregon Volunteers) to the Office. Excluding this transfer, the ongoing budget was reduced by 2.4% from the prior biennium level. The adopted budget includes \$12.9 million General Fund, \$3.7 million Lottery Funds, \$3.3 million Other Funds, \$6.9 million Federal Funds, and 59 positions (58.50 FTE).

The budget incorporates two major adjustments in Office of the Governor staffing and operations. Three vacant positions in the Regional Solutions program were eliminated, with an associated \$606,885 reduction in Lottery Funds expenditures. Remaining Regional Solutions program staff include eight regional coordinator positions, an intergovernmental coordinator, and the program director. The other major adjustment was the transfer of the Oregon Volunteers program from the Housing and Community Services Department to the Office. The transfer moved \$6.9 million of Federal Funds expenditures, and one limited duration position, to the Office of the Governor's budget. The transferred funds were supplemented with a one-time \$200,000 General Fund appropriation, to assist the program transfer, fund a program review, and provide for the development of a long-term strategic plan for the Commission. A budget note requests the Office of the Governor to report, prior to the 2018 session, on the continuing funding and personnel needs of the program.

### **Oregon Liquor Control Commission**

The budget for the Oregon Liquor Control Commission is \$206.3 million Other Funds and includes 304 positions (298.82 FTE), which is a 10.5% increase from the 2015-17 legislatively approved budget. The budget assumes continuation of the \$0.50 surcharge adopted by the Commission and approval of new liquor stores. The budget is anticipated to result in an estimated \$326.1 million in revenue to the General Fund. Liquor fund disbursements to cities are assumed to be \$176.4 million (an amount that includes both City Revenue Sharing and regular distribution to cities); \$51.9 million to counties; and \$19 million for addiction and mental health services. Liquor Agent's compensation is maintained at an average of 8.93% of sales.

Marijuana regulatory expenses increased \$4.7 million from the 2015-17 legislatively approved budget, with the number of FTE in the division doubling due to increases in the number of marijuana licensees; additional licensees (and attendant regulatory expenses) may be generated by medical marijuana regulatory changes under SB 1057 (2017).

### **Public Employees Retirement System**

The budget for the Public Employees Retirement System totals \$11.1 billion Other Funds. Of the total, \$11 billion is for benefit payments to retirees. The administrative budget totals an additional \$98.5 million and is a \$9.8 million (or 9%) reduction from the 2015-17 legislatively approved budget. This reduction largely reflects the phase-out of one-time information technology expenditures from the prior-biennium budget. The budget includes 373 positions (372.29 FTE).

The budget provides for an agency requested reorganization as well as funding for the development and implementation of: a Cybersecurity Program (\$1.6 million); Disaster Recovery Program (\$500,000); Business Continuity Program (\$250,000); disaster recovery warm site (\$1.2 million); and completion of the Individual Account Program information technology project (\$1.4 million). The budget also transfers two information technology positions to the Department of Administrative Services and eliminates six vacant positions (\$1.3 million). The budget report includes four information technology-related budget notes.

### **Racing Commission**

The Legislature approved a budget for the Racing Commission at current service level, totaling \$6.4 million Other Funds, and 14 positions (12.27 FTE).

### **Department of Revenue**

The budget for the Department of Revenue is \$313.3 million total funds, which is a \$17.5 million (or 5.3%) decrease from the 2015-17 legislatively approved budget. This reduction largely reflects the phase-out of one-time information technology expenditures from the prior-biennium budget. The budget includes \$188.5 million General Fund, \$124.8 million Other Funds, and includes 1,007 positions (933.85 FTE).

The budget includes \$11.1 million Other Funds (Article XI-Q bonding; cash carryforward from previously issued bonds; marijuana tax proceeds; and transportation-related taxes) and 32 limited duration positions (8.00 FTE) for the final phase of the Core [tax] Systems Replacement project (CSR) plus \$1.1 million for vendor contract maintenance costs and non-bondable expenditures. In addition, \$4.6 million General Fund and \$869,380 Other Funds was provided for heightened vendor support of the CSR post-implementation. The budget also includes \$1.4 million General Fund and \$120,000 Other Funds to restart a project to integrate document scanners with the CSR project.

Staff were added to bolster financial management (\$768,842) and customer service activities (\$152,235). Funding was also provided for a comprehensive external audit (\$150,000) as well as for an external performance management assessment of the agency (\$350,000). The budget eliminated 86 vacant positions (\$13 million) and transferred three information technology positions to the Department of Administrative Services (\$856,772). There was also a \$1 million General Fund decrease to the Nonprofit Housing program to align the program budget with forecasted expenditures.

The existing budgeted cost of administering the state marijuana tax was consolidated into a single program. The program budget totals \$4.3 million and includes 15 positions (14.25 FTE). Additional funding was provided to complete a major remodel of the Cash Transaction Unit space in the Salem Headquarters building, which will bring the total estimated project costs to \$1.33 million, of which \$1 million will be funding during the 2017-19 biennium. Funding was also provided for enhanced building security (\$164,000).

New funding was provided for the administration of taxes under the transportation package and included \$3.9 million Other Funds and eight positions (4.25 FTE). Additionally, SB 1067 (2017) directed the centralization of all debt collection practices across state government within the Department of Revenue. The operative date of this change is July 1, 2018; the associated adjustment to the agency budget will occur during the 2018 session.

The budget includes nine budget notes, which reflect a legislative effort to seek improvements to the agency's operations.

### **Secretary of State**

The Secretary of State's total funds budget of \$72.1 million is a 1% decrease from the 2015-17 legislatively approved budget. This reduction largely reflects the phase-out of one-time expenditures included in the prior-biennium budget. Although a portion of these phase-outs were restored in approved policy option packages, the phase-outs initially totaled over \$3.7 million. The budget includes 213 positions (212.77 FTE), a 0.9% increase over the 2015-17 biennium level. General Fund support of \$10.4 million represents an 1.4% increase over the prior biennium.

The budget includes four agency-specific adjustments affecting General Fund support levels:

- \$706,000 General Fund for county costs associated with expanded voter registration rolls generated by the Motor Voter program. Funding is essentially unchanged from the prior-biennium level.
- \$500,000 General Fund and continuation of two new full-time positions (2.00 FTE) in the agency's Information Systems Division, to support IT infrastructure security and application development and enhancements for the Elections Division. The positions were approved on a limited duration basis in the prior biennium. The budget restores these positions and makes them permanent. This action reflects a decision to retain operation of the agency's major Elections Division systems in-house.
- A \$250,000 General Fund reduction, in support for services and supplies, to help balance the statewide General Fund budget within the level of available resources.
- \$83,000 General Fund, for ongoing costs of the Election Night Reporting system installed in 2016.

Principal Other Funds adjustments in the Secretary of State budget include:

- \$250,000 Other Funds for three new IT security systems and a security assessment of the agency's IT infrastructure and applications.
- \$240,000 Other Funds for increased credit card merchant fees.
- \$201,429 Other Funds and one position (1.00 FTE), to establish a new position in the Executive Office for policy development and analysis.
- \$157,718 Other Funds and one position (0.88 FTE), for implementation of HB 2191 (2017) which authorizes enforcement of corporation registration laws.
- \$90,000 Other Funds for acquisition and implementation of the OregonBuys eProcurement System.
- \$50,000 Other Funds to continue publication of a printed version of the Oregon Blue Book.

### **State Library**

The budget for the State Library is \$16 million total funds, which is a 5.2% increase from the 2015-17 legislatively approved budget and a 1.6% decrease from the 2017-19 current service level. The budget includes \$4 million General Fund, \$6.7 million Other Funds, \$5.3 million Federal Funds, and 42 positions (40.04 FTE). An Other Funds reduction of \$43,775 was approved to decrease rent expense funded by assessments to state agencies by consolidating Government Research Services staff into one space.

### **Treasurer of State**

The budget for the Treasurer of State is \$83.9 million total funds, which includes \$3.5 million General Fund and \$80.4 million Other Funds. The budget is a \$20 million (or 31%) increase from the 2015-17 legislatively approved budget. The adopted budget includes 160 positions and 150.09 FTE, which is an increase of 37 positions (or 30%).

The Legislature continued, for the second consecutive biennium, an investment in the level of resources dedicated to the Investment Division, which for this budget is an increase of \$11.2 million and 35 positions. A budget note directs the Treasurer to report to the Legislature in 2019 with a feasibility study supporting continued investment in this Division.

The Legislature also approved additional funding for the continued modernization of the state's cash management infrastructure (\$2.3 million Other Funds) and provided enhanced funding for information security (\$2 million Other Funds). In addition, for the second biennium in a row, General Fund was appropriated to fund start-up costs associated with the Oregon 529 Savings Network – Achieving a Better Life program (ABLE) and the Oregon Retirement Savings Board (ORSB). These are loans from the General Fund to be repaid with future program fees. ABLE received an additional \$409,247 for a total General Fund budget of \$1.3 million and the ORSB received an additional \$1 million for a total budget of \$2.2 million General Fund. The ABLE program also received \$700,000 Other Funds limitation to provide marketing and outreach activities for a contract with the State of Washington ABLE program.

## **LEGISLATIVE BRANCH**

The 2017 Legislature adopted a budget of \$110.3 million General Fund and \$133.5 million total funds and 660 positions (447.81 FTE) for the seven legislative branch agencies. The General Fund budget is a 5.8% increase and the total funds budget is a 9.1% increase from the 2015-17 legislatively approved budget.

The following actions were approved for Legislative Branch agencies:

### **Legislative Assembly**

- An addition of \$24,600 General Fund for equipment needs (copiers and Lounge cooking equipment).
- A reduction of \$4,680,000 General Fund for anticipated reversions.

### **Legislative Administration Committee**

- Funds in the amount of \$2,521,711 General Fund to pay the Department of State Police for additional trooper support for the Capitol building.
- An addition of \$123,000 for Continuation of Operations planning.
- General Fund in the amount of \$200,000 to begin closed captioning in the Capitol.
- Carry forward of \$6,000,000 General Fund for the Capitol Accessibility, Maintenance and Safety project that was not spent in the 2015-17 biennium.
- General Fund in the amount of \$975,000 for Phase II of the Disaster Recovery Project.
- An increase of \$114,490 General Fund for the reclassification of the customer engagement and leadership position in Information Services.
- Authorization for reclassification of Information Services positions.
- An increase of \$521,741 in Other Funds expenditure limitation for expenses related to the new bill drafting system.
- Authorization to add one custodial position (1.00 FTE), reclassification of a contracts specialist position, and \$342,000 in Other Funds expenditure limitation for anticipated lease revenue.
- An increase of \$134,997 Other Funds expenditure limitation for a technical adjustment for the Oregon State Capitol Foundation.
- A reduction of \$6,650,000 General Fund for anticipated reversions.

### **Legislative Counsel Committee**

- An increase of \$640,019 General Fund and one position (3.24 FTE) to add an attorney and an editor for public records needs, add one executive specialist II position, and reclassify and make FTE adjustments to specified positions.
- A reduction of \$600,000 General Fund for anticipated reversions.

### **Legislative Fiscal Officer**

- An increase of \$61,416 General Fund for reclassification of a fiscal analyst position to a principal analyst position.
- A reduction of \$750,000 General Fund for anticipated reversions.

### **Legislative Revenue Officer**

A technical adjustment resulted in the reduction of \$250,000 General Fund.

### **Legislative Policy and Research Committee**

A reduction of \$900,000 General Fund for anticipated reversions.

### **Commission on Indian Services**

No adjustments were made to the current service level budget.

## **EMERGENCY FUND**

The Oregon Constitution authorizes the Legislature to establish a joint committee, known as the Emergency Board, to exercise certain powers during the interim between sessions of the Legislative Assembly. These powers include allocating funds appropriated by the Legislature for emergencies, increasing expenditure limitations on continuously appropriated agency funds, establishing or revising budgets for new activities, and authorizing transfers within agency budgets. The Emergency Fund consists of monies appropriated to the Emergency Board for general purposes and special purpose appropriations made to the Emergency Board for specified uses in specified agencies.

The 2017-19 legislatively adopted budget for the Emergency Board includes a \$50 million general purpose appropriation, plus special purpose appropriations totaling \$128.8 million as follows:

- \$100 million for state employee compensation changes.
- \$10 million for non-state employee compensation changes.
- \$7.9 million for costs associated with grand jury recordings established by SB 505.
- \$6 million for the Department of Forestry for fire protection expenses.
- \$3.97 million for second fiscal year funding of the Chief Education Office.
- \$750,000 for the Department of Human Services for Foster Parent Supports.
- \$200,000 for the Long Term Care Ombudsman for the Public Guardian program.

If the amounts in the special purpose appropriations are not allocated by the Emergency Board by December 1, 2018, the remaining amounts become available to the Board for any legal use.

Due to concerns over potential higher than normal wildfire fighting costs and the uncertainty around certain federal funding streams, the adopted budget included a larger general purpose appropriation for emergency purposes than in recent budgets; the typical general purpose appropriation over the past several biennia has been \$30 million.

## State Bonding and Capital Construction

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### State Bonding

In January 2017, the State Debt Policy Advisory Commission (SDPAC) updated their recommended capacity limits for General Fund and Lottery Funds supported debt based upon the Office of Economic Analysis December 2016 revenue forecast.

The Commission recommended that the Legislature and Governor issue no more than \$1,141.6 million in General Fund supported debt for the 2017-19 biennium. This recommendation is based on the SDPAC target debt capacity ratio of no more than 5% annual debt service to General Fund revenues. The SDPAC recommendation also considered that all debt authorized in the 2015 and 2016 legislative sessions would be issued before the end of the 2015-17 biennium. However, there was \$41.5 million of General Fund debt that was not issued in 2015-17, increasing the available capacity to \$1,183.1 million.

The Legislature approved \$1,102.3 million in General Fund debt. The amount authorized includes:

- \$264.3 million of Article XI-G and Article XI-Q general obligation bonds for 14 public university capital projects.
- \$103.2 million of Article XI-G general obligation bonds for 15 community college capital projects.
- \$206.1 million of Article XI-Q general obligation bonds to finance the capital costs of state property, including deferred maintenance on state-owned facilities and information technology projects.
- \$121.6 million of Article XI-M and Article XI-N general obligation bonds for seismic rehabilitation grants to schools and emergency services facilities.
- \$113.7 million of Article XI-Q general obligation bonds to complete construction of the Multnomah County Courthouse, provide initial support for replacement of the Lane County Courthouse, and begin renovation of the Supreme Court building.
- \$101 million of Article XI-P general obligation bonds to fund matching grants to school districts for capital improvements.
- \$101 million of certificates of participation to finance the release of a portion of the Elliott State Forest from restrictions from ownership of the Common School Fund to preserve non-economic benefits of the forest.
- \$81.1 million of Article XI-Q general obligation bonds for the Local Innovation and Fast Track (LIFT) Housing program.

General Fund supported debt authorized in the 2017-19 legislatively adopted budget represents a \$51 million (or 4.4%) decrease from the \$1,153.3 million authorized in the 2015-17 legislatively approved budget. Excluding the \$41.5 million of debt authorized but not issued in 2015-17, debt authorized in 2017-19 is \$9.6 million (or 0.9%) less than debt issued in the 2015-17 biennium. There is \$80.8 million of remaining General Fund supported debt capacity for the 2017-19 biennium.

Article XI-F(1) general obligation bonds provide bond financing for the public universities' self-supporting capital construction projects. The Legislature approved \$86.6 million to finance four new capital projects and two reauthorized capital projects approved during prior legislative sessions. These bonds are not supported by General Fund.

Direct revenue bond authorization for 2017-19 totals \$529.9 million and includes \$300 million for housing bonds that finance single-family mortgage loans and multifamily housing projects and \$30 million for economic and community development projects through the Oregon Infrastructure Finance Authority Bond Bank Program. Lottery revenue bond authority of \$199.9 million is also included in this category. Pass-through revenue bonds total \$2,085 million and include \$400 million in Industrial Development Bonds, \$1,350 million for the Oregon Facilities Authority, \$325 million for housing development projects, and \$10 million for the Beginning and Expanding Farmer Loan Program.

A complete list of General Fund projects can be found in Appendix B. General Fund debt service for approved projects is estimated to be \$25.1 million in 2017-19, rolling up to \$184.2 million in 2019-21.

### **Lottery Revenue Bonds**

The State Debt Policy Advisory Commission's 2017 Report recommended that the Legislature and Governor issue no more than \$209.4 million in Lottery Funds supported debt for the 2017-19 biennium. This recommendation is based on the requirement included in the state's lottery revenue bond covenants that limits debt service to no more than 25% of unobligated net Lottery revenues (a four-times coverage ratio) and considered that all lottery bonds authorized in the 2015 and 2016 legislative sessions would be issued by the end of the 2015-17 biennium. However, \$16.7 million of Lottery Funds supported debt, including lottery bonds approved for the Roseburg Veterans' Home and Trillium Children's Farm Home, was not issued in 2015-17, increasing the available capacity to \$226.1 million.

The Legislature authorized \$199.9 million of lottery revenue bonds to generate proceeds for project costs, costs of issuance, and debt service reserves. A total of \$180.1 million of net lottery bond proceeds fund 32 approved projects, including:

- \$30 million for *ConnectOregon*.
- \$20 million to recapitalize the Special Public Works Fund for municipal infrastructure projects.
- \$10 million for levee inspection, repair, certification, and accreditation projects.
- \$15 million for the Oregon International Port of Coos Bay channel modification project.
- \$25 million for affordable housing preservation.
- \$22.2 million for planning, feasibility studies, and water supply development projects.

Lottery Funds supported debt authorized in the 2017-19 legislatively adopted budget represents a \$13.2 million (or 6.2%) decrease from the \$213.1 million authorized in the 2015-17 legislatively approved budget. Excluding the \$16.7 million of debt authorized but not issued in 2015-17, debt authorized in 2017-19 is \$3.5 million (or 1.8%) more than debt issued in the 2015-17 biennium. There is \$26.2 million in remaining Lottery Funds supported debt capacity for the 2017-19 biennium.

Lottery revenue bonds included in the 2017-19 legislatively adopted budget are scheduled to be issued in the spring of 2019, so no debt service payments are due in the 2017-19 biennium. Beginning with the 2019-21 biennium, the fully phased in debt service costs are estimated to be \$32.4 million per biennium.

A complete list of lottery bond projects can be found in Appendix B.

## Capital Construction

The Legislature provides six-year expenditure limitation for new capital construction projects. Projects in excess of \$1 million for the acquisition of land and the acquisition, planning, constructing, altering, repairing, furnishing, and equipping of buildings and facilities are categorized as capital construction projects. Projects are funded with proceeds of bonds, as well as other revenues and federal grants received by agencies.

Capital construction projects in the 2017-19 legislatively adopted budget total \$743.1 million. Other Funds capital construction limitation of \$738.3 million and Federal Funds capital construction expenditure limitation of \$4.8 million is included in the budget for the approved projects. Significant capital expenditures include:

- \$330.8 million for distribution of general obligation bond proceeds to the seven public universities for 17 new capital projects and an increase in one previously authorized project.
- \$101.4 million for distribution of general obligation bond proceeds to 14 community colleges for 12 new and three reauthorized capital projects.
- \$80 million for family affordable housing through the LIFT Program.
- \$58.2 million to the Department of Administrative Services for capital projects at state-owned buildings and facilities.
- \$49.3 million for renovation, capital improvement, and deferred maintenance projects at existing Oregon Youth Authority facilities.
- \$38.5 million to make improvements in several Department of Corrections facilities to address needs identified in the Facility Condition Assessment.

A complete list of capital construction projects for all agencies is included in Appendix A.

## Budget Notes

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A budget note is a non-binding directive to a state agency on the legislative intent of a particular budget measure, directing administrative and managerial actions relating to the agency's execution of its biennial budget.<sup>6</sup> A budget note originates from one legislative committee, the Joint Committee on Ways and Means, and is found exclusively in a budget report, which is the measure summary that accompanies most measures passed by Ways and Means. The only exception is when separate Senate and House budget committees are appointed.

### Volume of Budget Notes (2017 session)

- 47 Total number of budget notes
- 47 Total number of unique budget notes
- 0 Total number of duplicate budget notes
- 17 Total number of joint budget notes or those detailing more than one agency
- 22 Number of budget reports with a budget note (out of 136 budget reports)
- 20 Number of agencies with at least one budget note (out of approximately 100)
- 10 Number of agencies with more than one budget note
- 9 Greatest number of budget notes for one agency

### General Purpose of Budget Notes (2017 session)

- 39 Number of budget notes dealing with submission of a report
- 1 Number of budget notes dealing with performance measures
- 16 Number of budget notes providing instruction on budget execution
- 0 Number of budget notes dealing with expenditure limitation or scheduling
- 3 Number of budget notes establishing work groups

The following budget notes are sorted by program area, agency, measure number, and Oregon Chapter law reference.<sup>7</sup> Please note that a budget note affecting more than one agency may only be listed once under the primary agency. Also, note that a measure's budget report may include additional language beyond the note itself that establishes context or provides additional information on a specific note.

## EDUCATION PROGRAM AREA

### Higher Education Coordinating Commission

#### HB 5006 (Chapter 702, Oregon Laws 2017)

BUDGET NOTE: The Higher Education Coordinating Commission shall convene a workgroup to develop recommendations for enabling community colleges to offer an associate's degree that is completed in coordination with credits earned in registered apprenticeship or training programs that are at least four years long. The commission shall report their findings and recommendations to the appropriate legislative interim committee.

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<sup>6</sup> For a more complete discussion of what a budget note is – origin, legal standing, and use – please refer to *Budget Information Brief #2007-3, Budget Note* available via the "Publications" link at <https://www.oregonlegislature.gov/lfo>

<sup>7</sup> The Oregon Chapter Law legal citation is for an enrolled measure and does not serve as a reference for a budget report or budget note.

SB 5524 (Chapter 595, Oregon Laws 2017)

BUDGET NOTE: The following public universities will limit their resident undergraduate tuition increases in each academic year to the following amounts: Oregon Institute of Technology, 5%; Portland State University, 5.5%; Southern Oregon University, 9%; University of Oregon, 6.56%; Western Oregon University, 6.5%. For the second year of the biennium or the 2018-19 academic year, the expectation is that no public university's resident undergraduate tuition growth shall exceed 5% over the tuition rate for 2017-18 academic year.

**HUMAN SERVICES PROGRAM AREA**

**Oregon Health Authority**

HB 5006 (Chapter 702, Oregon Laws 2017)

BUDGET NOTE: The Oregon Health Authority, in collaboration with the Tobacco Reduction Advisory Committee, shall make recommendations to the Public Health Advisory Board on reductions to the Tobacco Prevention and Education Program, based on the loss of Tobacco Master Settlement Agreement (TMSA) funding, that reflects best practices for tobacco control, to minimize programmatic disruption. The Oregon Health Authority shall report to the Legislature the impact of the loss of TMSA funding to tobacco prevention in Oregon, across state and local programs, health communications, tobacco cessation, and data and evaluation.

HB 5026 (Chapter 545, Oregon Laws 2017)

BUDGET NOTE: The Oregon Health Authority shall conduct a rate analysis, including but not limited to provider costs as well as expected revenues from billing for rehabilitative services. The agency shall report to the Interim Joint Committee on Ways and Means by November 30, 2017 with a proposed plan for a standard rate or set of rates, a proposed schedule to move all providers to these rates, an analysis of the cost, and plans for funding both the Medicaid and non-Medicaid components. The plan should prioritize increasing rates for providers with the greatest disparity in rates, that is, providers who receive the lowest rates compared to more recent providers who typically receive higher rates. Contingent on available funding, the agency will implement at least the first phase of the plan beginning January 1, 2018. If the agency is unable to fully fund the plan within their existing budget, they should request additional funding during the 2018 legislative session.

BUDGET NOTE: The Oregon Health Authority shall work with coordinated care organizations, County Mental Health Programs, local Public Health, local mental health authorities, and others, within each geographic area, to create a single plan of shared accountability for behavioral health system coordination that builds on existing structures and partnerships and fosters further innovation and collaboration with other organizations, by July of 2018. The agency shall provide a progress report to the Joint Committee on Ways and Means during the 2018 legislative session, and a final report to the Legislature by December of 2018 on each region's governance model and plan for shared accountability.

## Department of Human Services

### HB 5006 (Chapter 702, Oregon Laws 2017)

BUDGET NOTE: During the 2017-19 biennium, after each biannual caseload forecast, the Department of Human Services is directed to calculate any General Fund or Federal Funds savings resulting from a decrease in the TANF caseload below the level assumed in the 2017-19 legislatively adopted budget. As part of its first rebalance report to or request of the Legislature following that calculation, the agency will present a proposal for directing any savings to either increase the TANF grant amount or invest in the JOBS program.

BUDGET NOTE: The Department of Human Services will convene a workgroup to review rules and statutes regarding substantiated abuse findings, fines, and enforcement for Intellectual and Developmental Disability (IDD) group homes. The workgroup shall include representation from IDD providers, clients served in the IDD system, employees working in IDD group homes, and other stakeholders. The workgroup shall report their findings and recommended statutory changes to the appropriate legislative interim policy committees no later than February 1, 2018. The workgroup shall discuss and report on: Recommendations for rule or statutory changes to abuse definitions and substantiated abuse findings; A review of current enforcement statutes and recommended changes that result in consistent applications of fines across the IDD group home system; and Recommendations for mandatory minimum fines for substantiated abuse.

BUDGET NOTE: The Department of Human Services and the Oregon Health Authority are currently planning to centralize eligibility processing at DHS in the fall of 2017. DHS has begun an assessment of current processes and will need 9-12 months to complete a comprehensive assessment and business plan that meets Medicaid requirements. DHS will report to the Interim Joint Committee on Ways and Means by June 30, 2018, and will include in its report a plan to increase jobs in rural Oregon including the option of outsourcing, in order to provide the highest quality, most efficient and cost effective Medicaid enrollment services to Oregonians.

### SB 5526 (Chapter 597, Oregon Laws 2017)

BUDGET NOTE: The Department of Human Services (DHS) will provide interim reports to the Legislature on the three topics outlined below; the agency may choose to submit either combined or separate status reports but should be consistent in approach once reporting has begun, unless otherwise instructed. Reports will be submitted for review and approval at each meeting of the appropriate interim budget committee (either Joint Committee on Ways and Means or Emergency Board) throughout the 2017-19 interim; an update during the 2018 legislative session may also be requested by either the agency or budget committee.

1) Child Welfare – This program has been struggling to meet legislative and stakeholder expectations around child safety, provider oversight, policy alignment, program performance, and system accountability. To help address this struggle, the recommended budget does contain funding and positions to help support the program, with a focus on foster parents, other providers, and agency caseworkers. However, for the latter group, there continues to be legislative concern that more training and positions alone will not be sufficient to improve agency performance in recruiting, hiring and retaining quality caseworkers. It is also likely that although the new Consultant Educator Trainer (CET) positions are intended to improve safety by

providing the clinical consultation and training, the impacts will not be immediate as many of the agency's most experienced casework staff will likely apply for these positions creating the need to backfill those positions with new casework staff that will need to be trained before being fully functioning. Interim reporting is directed to keep the Legislature aware and focused on agency progress in this area. For the first interim report, the Department will provide information on data and metrics around recruiting, hiring, training and retaining caseworkers, for legislative review and feedback toward developing a uniform reporting framework or dashboard for future meetings. This reporting should include information on staff turnover, such as separation rate and counts, length of service, separation reason and agency strategies to address those reasons. Other related policy, workload, or organizational challenges and potential solutions should also be outlined. In addition, program changes or progress updates coming out of the Unified Child and Youth Safety Implementation Plan process, particularly those associated with potential budget needs or adjustments, should also be covered in the report.

2) Intellectual and Developmental Disabilities – The recommended budget includes a generic program reduction of \$12 million General Fund in lieu of more specific actions to curb program costs. While the Department has been working on sustainability options to offset program growth (primarily driven by the Community First Choice Option or “K Plan”) over the past two years, the results of that work has been met with a lukewarm response by the Legislature. Recently, it appears there might be other, more tenable program modification alternatives that would, however, require additional time to develop with and receive approval from the federal Medicaid authority. DHS is directed to pursue these alternatives, take management actions to suppress program spending, and implement the new assessment/planning process currently under development, no later than June 1, 2018. At each interim meeting, the Department will provide a status update on both these efforts and the program's budget. The program is hoping to achieve budget savings without having to make changes to the “parental income disregard” or other eligibility criteria. However, if the target cannot be met by other actions, the program should consider and bring forward eligibility changes for legislative review and approval during the 2017-19 biennium. In addition, prior to taking any action that would close state operated residential facilities, the Department will report on its plan for that closure at the appropriate interim meeting; along with budget impacts, the report will include a description of how the closure will affect residents, providers, and employees.

3) Position Management – DHS is directed to accelerate the agency's current effort to improve position management practices; these have typically relied heavily on double filling positions and using funding from holding positions vacant to cover the double fill costs. While perhaps expedient from a program perspective, this approach makes it difficult to externally assess or validate how many positions should be approved in the budget, to calculate any gap between a position's funding versus actual cost and to determine if a vacant position is no longer needed. It is also not consistent with truth in budgeting and makes it challenging to set baselines for cost containment strategies, budget growth metrics or program capacity analyses. At a minimum, at each interim meeting, the Department will report on progress, by program, in reducing the number of double filled and vacant positions, along with providing an update on its plan for resolving double fills and cleaning up vacant positions over the next two years. It is anticipated the agency will need to work through both the administrative position change (permanent finance plan) and legislative position change (rebalance or policy package action) processes to complete the project. As of June 1, 2017, DHS had 494 double filled positions, 814 vacant positions and 7,767 employees.

BUDGET NOTE: The Department of Human Services is directed to report to the Interim Joint Committee on Ways and Means during Legislative Days in November 2017 on its findings regarding the transition of the Alcohol and Drug Program child care services from the Early Learning Division to the Department. The report should include the adequacy of agency resources to support the program, additional funding needed to account for any resource gaps, a description of the services to be provided, and the number of families expected to be served.

## **Long Term Care Ombudsman**

### HB 5021 (Chapter 579, Oregon Laws 2017)

BUDGET NOTE: The Long Term Care Ombudsman is directed to thoroughly assess the Oregon Public Guardian and Conservator program. The assessment should evaluate the following: required versus discretionary services; service delivery alternatives and their costs; caseload characteristics, priorities, and scalability; cost per case differences between public and private guardianship work; opportunities to leverage volunteer and pro bono resources to help support the program; metrics for measuring program success and effectiveness; and ways to ensure the fiscal sustainability of the program with limited resources. A written report on the assessment must be completed and submitted to the Joint Committee on Ways and Means prior to the beginning of the 2018 legislative session. The report will be used by the Legislature to help determine next steps, set funding priorities, and develop key performance measures for the program.

## **PUBLIC SAFETY PROGRAM AREA**

### **Department of Justice**

### HB 5006 (Chapter 702, Oregon Laws 2017)

BUDGET NOTE: The Department of Human Services, Department of Justice, Oregon Judicial Department, and Public Defense Services Commission shall work collaboratively, at both the state and local levels, to solicit input on, develop, and implement strategies to improve the effectiveness and efficiency of Oregon's juvenile dependency systems and to determine the appropriate level of legal services. Potential strategies should include standardizing forms, streamlining processes, conforming practices, and adopting administrative or court rules. The agencies are expected to identify and begin implementing strategies no later than July 1, 2018. Options for providing more effective and cost-efficient legal and other services should also be reviewed and analyzed. The agencies will submit a joint report on the progress of these efforts to the Interim Joint Committee on Ways and Means or the Emergency Board by October 2018. In addition, each agency shall include an update, in its budget presentation to the Joint Committee on Ways and Means during the 2019 session, on its specific roles, activities, strategies, and costs to improve the effectiveness and efficiency of Oregon's juvenile dependency system.

HB 5015 (Chapter 576, Oregon Laws 2017)

BUDGET NOTE: The Department of Justice (DOJ) is to submit a report to the Legislature during the 2018 session with options for providing more effective and cost-efficient legal and other services to state agencies, including a feasibility study related to alternative service models.

BUDGET NOTE: DOJ is to submit a report to the Legislature during the 2018 session on how the agency bills for legal and other services, and provide a feasibility study related to alternative billings models.

BUDGET NOTE: DOJ is to submit a report to the Legislature or Emergency Board if compensation adjustments for DOJ's attorneys exceeds the standard compensation adjustment for management service employees in the Executive Branch of state government. The report is to include the cost differential and proposed funding mechanism of any such increase.

**Board of Parole and Post-Prison Supervision**

HB 5029 (Chapter 548, Oregon Laws 2017)

BUDGET NOTE: The Board is to look into ways to reduce the backlog and cost of the Static 99R assessments and report to the Legislature before the February 2018 Session on the findings and recommendations.

**ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA**

**Employment Department**

HB 5007 (Chapter 506, Oregon Laws 2017)

BUDGET NOTE: The Employment Department (OED) is directed to report to the Joint Committee on Ways and Means or to a meeting of the Emergency Board after the release of the Legislative Fiscal Office's annual Report on Liquidated and Delinquent Accounts Receivable, scheduled for December 2017. The Employment Department's report will include the following: 1) How much of the total ending balance of reported liquidated and delinquent accounts are attributable to uncollected Unemployment Insurance Benefit overpayments, uncollected Unemployment Insurance Taxes, and other causes; 2) What actions and circumstances are defined as write-offs, adjustments and reversals for purposes of the Liquidated and Delinquent Accounts Receivable report; 3) The efforts made to reduce the agency's delinquent debt as reported, progress made to reduce the ending balance of liquidated and delinquent accounts receivable as compared to the previous year's report by 10 %, and how its debt collection efforts relate to federal performance metrics; and 4) An action plan for continued progress toward reducing delinquent debt as reported, including additional resources that may be necessary to improve performance.

## **Department of Veterans' Affairs**

### HB 5006 (Chapter 702, Oregon Laws 2017)

BUDGET NOTE: The Department of Veterans' Affairs, in collaboration with the Oregon Health Authority and the Board of Nursing, is directed to convene a rural medical training facilities workgroup that will investigate issues related to alleviating a shortage of skilled and experienced nurses and medical technicians in the City of Roseburg and in Douglas County. Representatives from the City of Roseburg, Douglas County, local hospital or medical facilities, including the Roseburg VA Medical Center, and local medical practitioners with experience in training nursing and medical technician students should be included in the workgroup membership. The workgroup should consider issues related to establishing a medical training facility in partnership with local academic programs and methods of reintegrating veterans who are transitioning out of military service into society through higher education and career training. The Department shall report the results of the workgroup and recommendations to the Legislature by September 15, 2018.

### HB 5039 (Chapter 585, Oregon Laws 2017)

BUDGET NOTE: The Housing and Community Services Department and the Department of Veterans' Affairs are directed to work in concert to develop a plan to advise the Legislature on strategic investments of Measure 96 lottery dollars for veterans' homelessness and housing issues that will result in long-term housing stability for veterans. The Department of Veterans' Affairs and the Housing and Community Services Department will report back to the Joint Committee on Ways and Means in February 2018 with a proposal that includes a key performance measure to quantify progress toward this goal. The report shall include, but need not be limited to the following: information on best practices and programs in other states that have shown efficacy; the amount and source of resources intended to be utilized for each option presented; other partners or cooperation necessary from state or local entities; the number of veterans that can be assisted with each proposal at the suggested level of support; and whether changes to statute would be needed to implement the plan.

## **CONSUMER AND BUSINESS SERVICES PROGRAM AREA**

### **Department of Consumer and Business Services**

### SB 5512 (Chapter 372, Oregon Laws 2017)

BUDGET NOTE: The expenditure limitation included in the agency's budget for the premium assistance program for low-income Compact of Free Association (COFA) islanders is provided with the understanding that the agency will use the available funding to provide the full benefits outlined in the program to the program participants for as long as monies are available. Based on the estimated program costs provided by DCBS prior to program implementation, the available funding is sufficient to provide full benefits for the entire biennium based on the number of currently enrolled participants. If at some time during the biennium DCBS should determine that the funding will not be sufficient to continue providing full benefits to participants, the agency should not diminish, apportion, or ration

benefits prior to seeking additional program funding from the Legislature. Additionally, the agency is instructed to evaluate and pursue the availability of federal funding for this program.

### **Health-Related Licensing Boards**

#### SB 5523 (Chapter 373, Oregon Laws 2017)

BUDGET NOTE: The Health-Related Licensing Boards are directed to work with the Office of the State Chief Information Officer and other licensing boards as appropriate, to assess the information technology needs and requirements for licensing databases, as well as support for desktop, hardware and software, and any other IT systems. A report on this assessment, including any request for additional resources, is to be presented to the Joint Committee on Ways and Means during the 2018 legislative session.

BUDGET NOTE: The Board of Speech-Language Pathology and Audiology is directed to conduct a review of its complaint and investigation process and workload, and report to the Joint Committee on Ways and Means during the 2018 legislative session.

### **Board of Tax Practitioners**

#### SB 5538 (Chapter 376, Oregon Laws 2017)

BUDGET NOTE: The Board of Tax Practitioners is directed to provide a general update on agency operations, as well as, the current status of revenues, expenditures, and licensee counts, to the Joint Committee on Ways and Means during the 2018 legislative session.

## **NATURAL RESOURCES PROGRAM AREA**

### **Department of Agriculture**

#### SB 5502 (Chapter 562, Oregon Laws 2017)

BUDGET NOTE: The Department of Agriculture will seek assurances from U.S. Department of Agriculture, Wildlife Services that Wildlife Services will not use any state funding to purchase or deploy cyanide traps to control predators, before disbursement of any General Fund monies appropriated during the 2017-19 biennium for predator control activities.

### **Department of Fish and Wildlife**

#### HB 5010 (Chapter 544, Oregon Laws 2017)

BUDGET NOTE: The Department of Fish and Wildlife will seek assurances from U.S. Department of Agriculture, Wildlife Services that Wildlife Services will not use any state funding to purchase or deploy cyanide traps to control predators before disbursement of any General Fund monies appropriated during the 2017-19 biennium for predator control activities.

BUDGET NOTE: ODFW is instructed to develop a proposal for a broad anti-poaching public awareness campaign, including a budget that will include, but not be limited to: An anti-poaching public awareness campaign strategy, identification of tools needed to combat poaching, and any statute changes needed to address poaching. The Department is to report to the appropriate Ways and Means subcommittee during the February 2018 session on the details and budget for this work.

## **Oregon Watershed Enhancement Board**

### HB 5041 (Chapter 587, Oregon Laws 2017)

BUDGET NOTE: During development of the 2019-21 budget, and in subsequent biennia, the Oregon Watershed Enhancement Board shall phase-out the capital construction expenditure limitations approved for lottery moneys deposited into the Watershed Conservation Grant Fund for the 65% dedicated to local grant expenditures as usual. OWEB shall then add as technical adjustment to the Current Service Level (CSL), in package 060, the amount estimated to be deposited in the Watershed Conservation Grant Fund using the Office of Economic Analysis forecast of Lottery Revenues for June of even numbered years. This estimate will then be updated during development of the Governor's budget and the legislatively adopted budget in non-CSL packages. Ballot Measure 76 Lottery Fund expenditures will continue to be reflected in the budget as six-year expenditure limitation to allow time for grants to be fully expended.

## **TRANSPORTATION PROGRAM AREA**

### **Department of Transportation**

#### HB 5045 (Chapter 589, Oregon Laws 2017)

BUDGET NOTE: The Department of Transportation is directed to report to the Legislative Assembly during the 2018 legislative session on 1) the Department's progress filling positions granted during the 2017 legislative session for implementation of HB 2017 (2017); 2) the status of transportation projects included in the bill; and 3) any additional positions the Department may need to fully implement the transportation package of 2017.

BUDGET NOTE: The Department of Transportation is directed to ensure an ongoing commitment to fully fund congestion relief on I-205, including but not limited to the Stafford Rd to Abernethy Bridge bottleneck. Pursuant to HB 2017, any value pricing revenue shall be dedicated to I-205. In the event that value pricing revenue is not sufficient, or should value pricing prove not to be a viable funding source, the agency shall report immediately to the Legislative Assembly on the funding issues along with specifics on funding needs and options available to the Legislative Assembly to quickly remedy such funding gaps. An initial report shall be provided to the Joint Transportation Committee no later than the last legislative days in calendar year 2018.

#### HB 2638 (Chapter 655, Oregon Laws 2017)

BUDGET NOTE: The Department of Transportation is directed to work with the Department of State Police on the adoption of rules related to the establishment of fees for application,

issuance, and renewal of certification fees that will adequately cover the administrative costs related to the Ignition Interlock Device (IID) certification program established by HB 2638. The fee structure should provide sufficient revenue to cover the anticipated administrative cost of the program upon its transfer to the Department of State Police. The Department of Transportation is directed to report to the Joint Committee on Ways and Means during the 2018 legislative session on the status of the certification program and the proposed fees.

BUDGET NOTE: The Department of Transportation is directed to include in its 2019-21 budget request a policy package transferring Federal National Highway Traffic Safety Administration impaired driving grant funds to the Department of State Police for the purposes of providing funding for the IID service center certification program until the certification program fee revenue can adequately cover Department of State Police administrative costs.

## **ADMINISTRATION PROGRAM AREA**

### **Department of Administrative Services**

#### HB 2600 (Chapter 630, Oregon Laws 2017)

BUDGET NOTE: Given the nature of the work currently performed by CASA and the nature of work routinely performed by the Department of Administrative Services, the transfer of the CASA program to DAS is intended to be transitional for the 2017-19 biennium. DAS shall work with Oregon Housing and Community Services, the Oregon CASA network, and other stakeholders to develop a plan for long-term placement and stability of the local CASA programs. This plan may include, but shall not be limited to: a review of the program's accounting and budgeting procedures and review of available options for the CASA program's permanent placement. DAS may consider execution of a contract to assist in this review, but is not required to expend additional funds other than funds transferred over and dedicated to the administration of the CASA program. DAS shall report back to the appropriate subcommittee of the Joint Committee on Ways and Means during the 2017 September Legislative Days on the status of the transition work.

### **Office of the Governor**

#### HB 5521 (Chapter 593, Oregon Laws 2017)

BUDGET NOTE: Funding for Oregon Volunteers is provided with the expectation that the Oregon Commission on Voluntary Action and Service will revise its five-year strategic plan to integrate activities within the Office of the Governor, for the purpose of securing federal matching funds. The Office of the Governor is requested to report, with the Oregon Commission on Voluntary Action and Service, to a meeting of the Interim Joint Committee on Ways and Means prior to the February 2018 session of the Legislative Assembly, to determine the amount at which to fund Commission activities for the remainder of the 2017-19 biennium. The information requested to be provided includes personnel requirements, amounts and sources of funding, including potential matching dollars, and changes to the Commission's 5-year plan that may result from the transfer of administration of the Commission to the Office of the Governor. If sufficient funding for Oregon Volunteers is not approved for the remainder of the 2017-19 biennium,

Oregon Volunteers will take necessary actions to end all federal programs by September 30, 2018.

## **Public Employees Retirement System**

### SB 5534 (Chapter 600, Oregon Laws 2017)

BUDGET NOTE: Public Employees Retirement System, under the direction of the Department of Administrative Services – Office of the State Chief Information Officer, is directed to develop and implement an industry standard Cyber Security Program, including defining the long-term maintenance, operation, and funding plans for the program. The agencies are to jointly report status to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September and November, and during the 2018 legislative session. The Cyber Security Program, once completed, is to be independently assessed by a third-party vendor with the findings of that assessment being reported to the Legislature.

BUDGET NOTE: Public Employees Retirement System, under the direction of the Department of Administrative Services – Office of the State Chief Information Officer, is directed to jointly report the status of the Individual Account Program to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September and November, and during the 2018 legislative session.

BUDGET NOTE: Public Employees Retirement System and the Department of Administrative Services – Office of the State Chief Information Officer, are directed to complete a comprehensive State Data Center usage analysis as requested in April 2016. The agencies are to jointly report the feasibility study findings to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September of 2017. If found to be feasible, the agencies are to develop a formal migration plan, schedule, and budget for the 2017-19 biennium, and report to the Joint Committee on Ways and Means during the 2018 legislative session.

BUDGET NOTE: The Public Employees Retirement System, under the direction of the Department of Administrative Services – Office of the State Chief Information Officer, is directed to develop and implement industry standard Disaster Recovery Program, Business Continuity Program, and disaster recovery warm site. The agencies are to jointly report status to the Interim Joint Legislative Committee on Information Management and Technology during Legislative Days in September, and November and to the Legislature in 2018.

## **Department of Revenue**

### SB 5535 (Chapter 601, Oregon Laws 2017)

BUDGET NOTE: The Department of Revenue, under the guidance of the Secretary of State Audits Division, and based upon the direction of the Joint Committee on Legislative Audits, is directed to contract for a comprehensive external audit of the agency. The Department of Revenue is to submit the audit, and the agency's response, to the Joint Committee on Legislative Audits no later than May 2018.

BUDGET NOTE: The Department of Revenue, under the direction of the Department of Administrative Services – Office of the Director, is directed to contract for an outcome based management assessment of the agency by a private firm. The Department of Revenue, and the director of the Department of Administrative, are to jointly report on the status of the assessment to the Legislature in 2018 and the Emergency Board in May 2018. The assessment, upon completion, is to be submitted to either the Emergency Board during the interim or Interim Joint Committee on Ways and Means by no later the December of 2019.

BUDGET NOTE: The Department of Revenue, under the direction of the state’s Chief Human Resources Office (CHRO), is directed to undertake a comprehensive review of the Department of Revenue’s personnel practices and legislatively authorized positions. This review is meant to achieve alignment between legislatively authorized position authority and the agency’s use of positions. The Department of Revenue, is to undertake immediate steps to remedy any misalignment of positions identified by the review. The expectation is that this review will substantially reduce the number of vacant, double-filled, work-out-of-class, and “temporary work assignment” positions within the agency. The Department of Revenue and the Department of Administrative Service – Chief Human Resource Office are to jointly report their findings and actions to the Joint Committee on Ways and Means during the legislative session in 2018.

BUDGET NOTE: The Department of Revenue is to submit a feasibility study related to the establishment of a combined collections division. The feasibility study is to be submitted to the Interim Joint Committee on Ways and Means during Legislative Days in November 2017.

BUDGET NOTE: The Department of Revenue is to report the agency’s readiness status for the tax processing season in 2018 to the Interim Joint Committee on Ways and Means in September of 2017.

BUDGET NOTE: The Department of Revenue and the Department of Administrative Services – Office of the State Chief Information Officer, are to jointly report on the status of the Core Systems Replacement project, and any related Secretary of State audits, to both the Interim Joint Legislative Committee on Information Management and Technology and the Interim Joint Committee on Ways and Means during Legislative Days in September and November of 2017, and to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means during the legislative session in 2018.

BUDGET NOTE: The Department of Revenue, under the Direction of the Department of Administrative Services – Office of the State Chief Information Officer, is directed to re-initiate the Processing Center Modernization Project. The Department of Revenue and the Department of Administrative Services – Office of the State Chief Information Officer are to jointly report the status of the project to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means during the 2018 legislative session.

BUDGET NOTE: The Department of Revenue, under the Direction of the Department of Administrative Services – Chief Financial Office, is directed to undertake a comprehensive review of the Department of Revenue’s accounting practices and Statewide Financial Management Application structure and its alignment with the Oregon Budget Information Tracking System. This review is to include the Department of Revenue’s cost allocation system. The Department of

Revenue and the Department of Administrative Services – Chief Financial Office are to jointly report their findings to the Joint Committee on Ways and Means during the legislative session in 2018.

BUDGET NOTE: The Department of Revenue is to identify deficiencies in the current delivery of effective taxpayer assistance and develop a plan for addressing deficiencies and increasing agency performance under Key Performance Measure #5 – Effective Taxpayer Assistance. The Department of Revenue is to report its findings to the Joint Committee on Ways and Means during the legislative session in 2018.

## **Treasurer of State**

### SB 5541 (Chapter 605, Oregon Laws 2017)

BUDGET NOTE: The State Treasurer reported to the Legislature in 2017 “Enabling more internal management by investing in Investment Management Program resources will reduce overall costs and likely provide improved net return to the funds under management.” The State Treasurer is directed to report to the Legislature in 2019 on the actual cost savings and increased net investment returns derived from the Legislature’s investments in the Investment Division and the general administration of the agency as well as produce a feasibility study supporting continued investment in the Investment Division.

## Information Technology

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Information technology (IT) is a critical component in the State of Oregon's ability to operate government programs efficiently and effectively, provide access to government information, and to provide services to Oregonians.

During the 2017 legislative session, the Joint Legislative Committee on Information Management and Technology (JLCIMT) and the Joint Committee on Ways and Means ensured the following work was completed:

- Reviewed proposed IT related law and policy changes
- Evaluated business case, value, and foundational work and provided recommendations on agency IT budget requests
- Provided oversight for IT projects exceeding \$1 million
- Identified IT projects requiring budget notes or other legislative directives
- Reviewed agency IT organizational structure, budget and project requests, project status, budget note progress, and proposed measures

IT-related initiatives reviewed and discussed included:

- Statewide IT overviews for executive, legislative, and judicial branches
- Office of the State CIO – Program Area Information Resource Management Plans
- Information Security Reports (SB 1538 [Chapter 110, 2016 Oregon Laws]) – Office of the State CIO, Secretary of State, Treasurer of State, Department of Justice, Legislative Administration, and Judicial Department
- Unification of executive branch cyber security resources (Executive Order 16-13)
- State broadband procurement
- State Data Center power/facilities upgrade
- Governance and organization of IT resources within the executive branch
  - Potential creation of a new Department of IT and transfer of state IT procurement authority from the Department of Administrative Services to the State CIO (SB 872 was *not* passed into law during the 2017 session)
  - Office of the Governor – Office of the State CIO assessment and report to JLCIMT on governance, oversight, and management of IT projects and resources within the executive branch
- Enterprise IT systems and budget note reports
- Agency IT overview presentations by more than 14 agencies, including the Department of Administrative Services, Department of Environmental Quality, Employment Department, Oregon Health Authority, Department of Human Services, Judicial Department, Department of Justice, Legislative Administration, Public Employees Retirement System, Department of Revenue, Secretary of State, Department of State Police, Treasurer of State, and Department of Transportation

### Information Technology related law and policy changes

#### HB 2906 (Chapter 166, Oregon Laws 2017)

- Establishes the Oregon Geographic Information Council within the Office of the State Chief Information Officer and specifies the membership, purposes, and powers of this multi-jurisdictional council.

- Requires public bodies, beginning in 2020, to share certain geospatial framework data under specified conditions and with specific limitations. The multi-jurisdictional council will determine what data is shared and how often, under specific data standards adopted by the council.
- Requires the State Chief Information Officer to appoint a state geographic information officer to oversee and manage State Chief Information Officer's duties and functions under provisions of Act. The state geographic information officer will report to the State CIO and support the council's activities.
- Requires the state geographic information officer to secure the geospatial data library, protect the availability and integrity of information in the library, and provide secure electronic access to the library for purposes of sharing geospatial framework data.
- Establishes an Oregon Geographic Information Council Fund and appropriates moneys in the fund to the State Chief Information Officer for the purposes outlined in the Act.
- Permits the State Chief Information Officer to accept gifts, grants, donations, and contributions from the federal government, agencies of the federal government, or other sources and to agree to conditions placed on gifts, grants, donations, or contributions that are in accordance with Act and other law.

#### HB 3361 (Chapter 720, Oregon Laws 2017)

- Directs the State Chief Information Officer to appoint a Chief Data Officer to maintain a web portal for publication of state agency data.
- Directs the Chief Data Officer to establish open data standards and publish a technical standards manual for state agencies publishing data on the web portal.
- Requires state agencies to comply with open data standards and technical standards manual and publish data on the web portal on and after May 1, 2019.
- Directs the Secretary of State and the State Treasurer to adopt by rule requirements related to data that are the same as, or similar to, requirements established by the State Chief Information Officer or Chief Data Officer.

#### SB 87 (Chapter 512, Oregon Laws 2017)

- Gives the State Chief Information Officer (CIO) needed flexibility in determining the circumstances under which state contracting agencies and public corporations must obtain independent quality management services when implementing information technology (IT) initiatives.
- Current law requires independent quality management oversight services to be obtained if the estimated cost of an IT initiative exceeds \$5 million, regardless of project risk or complexity. SB 87 allows the State CIO to relieve state contracting agencies and public corporations from the obligation to obtain these oversight services under certain circumstances. The measure also explicitly permits the State CIO to require that oversight services be obtained for IT initiatives with estimated costs below \$5 million under certain circumstances.
- Requires the State CIO to submit an annual report to the Legislative Fiscal Office that identifies IT initiatives for which the value exceeds \$5 million and the State CIO determines that quality management services are not necessary, along with the rationale for those determinations.

#### SB 90 (Chapter 513, Oregon Laws 2017)

- Stems from Executive Order 16-13, which was implemented in response to IT security audit findings, breaches, and other vulnerabilities among executive branch agencies.

- Requires state agencies and the State Chief Information Officer (CIO) to cooperatively develop and implement a plan to consolidate affected state agency information technology security functions within the Office of the State CIO.
- Requires state agencies to cooperate with the State CIO's security assessment and remediation program; follow unification instructions; conduct and document completion of specified training; report information and participate in activities as directed by the State CIO.
- Establishes the Oregon Cybersecurity Advisory Council to advise the State CIO on cybersecurity issues and to provide a forum for such issues to be discussed.
- Directs the State CIO to develop and submit a plan to the Legislative Assembly for establishment of a Cyber Security Center of Excellence by January 1, 2019.

## **Budget Notes and Reports**

Of the major IT projects and initiatives included in the 2017-19 legislatively adopted budget, several were of particular interest to the Legislature due to their overall cost, complexity and risk, cross-biennial implementation timeframes, or importance to state government.

In nearly all cases, the sponsoring agency was requested to return to the Legislature during the 2017-18 interim, the 2018 session, and/or the 2019 session to report on project status and progress toward satisfying legislative direction or budget note requirements. By program area, these major IT projects and initiatives included the following:

- Education – Chief Education Office (CeDO) State Longitudinal Data System Project
- Human Services – DHS/OHA Integrated Eligibility/Medicaid Eligibility (IE & ME) Project
- Public Safety – OSP LEDS 2020 (formerly CrimeVue System Replacement) Project; and DOJ Child Support Enforcement Application System (CSEAS) Project
- Economic and Community Development – OED Core System Modernization Project
- Consumer and Business Services – Health-Related Boards were directed to assess information technology needs and requirements for licensing databases, as well as support for other IT systems and report back to the 2018 Legislature on the assessment
- Natural Resources – ODF Forestry Electronic Procurement and Payment System; ODF Woods Accounting and Log Tracking; and DEQ Environmental Data Management System
- Transportation – ODOT DMV Service Transformation Program; and ODOT State Radio Project
- Administration – DAS Human Resource Information System; DOR Core System Replacement Project; DOR Processing Center Modernization Project; DOR Property Valuation System Project; PERS Individual Account Program (IAP) Administration Project; PERS State Data Center Migration; PERS Cyber Security Program; PERS Disaster Recovery Program and warm site, and Business Continuity Program; and OLCC licensure system upgrades for medical marijuana growers (SB 1057 [Chapter 183, Oregon Laws 2017])

Although specific legislative direction was provided for each of the IT projects and initiatives, the responsible agency was generally directed to meet the following requirements:

- Work closely with and regularly report project status to the Office of the State Chief Information Officer (CIO) and the Legislative Fiscal Office (LFO) throughout the lifecycle of the proposed project
- Follow the Joint State CIO/LFO Stage Gate Review Process
- Use qualified project management services; and develop or update the project's business case and foundational project management documents

- Work with the State CIO to acquire Independent Quality Management Services as required to:
  - Conduct an initial risk assessment
  - Perform quality control reviews
  - Perform quality management services
- Submit the updated Business Case, project management documents, initial risk assessment, and QC reviews to the State CIO and LFO for Stage Gate Review
- Report back to the Legislature on project status during the 2018 session and/or to interim committees as required
- Utilize the Office of the State CIO's Enterprise Project and Portfolio Management system as it is deployed for all project review, approval, and project status and closeout reporting activities throughout the life of the proposed IT project

### **Additional IT Projects and Initiatives of Interest to be Initiated/Implemented in 2017-19**

- Education – ODE Early Learning Information System
- Human Services – DHS Centralized Abuse Management; DHS Provider Time Capture; OHA MMIS Infrastructure Enhancements; OHA Health IT Portfolio; OHA HIV Electronic CAREAssist; and OHA Tracking Home Visiting Effectiveness in Oregon
- Public Safety – OSP Racial Profiling Data System (HB 2355 [Chapter 706, Oregon Laws 2017]); DOC Inmate Trust Account and Commissary Point of Sale System (SB 844 [Chapter 692, Oregon Laws 2017]); DOC technology infrastructure for Voice Over IP Telephone System; DOC Electronic Health Record; OYA State Data Center Migration; OMD/OEM Next Generation 9-1-1; DOJ Information Security Program; and DOJ Legal Tools Replacement Project
- Economic and Community Development – HCSD Affordable Housing Database (HB 2002 [Chapter 608, Oregon Laws 2017]); and ODVA Conservatorship/Home Loans Systems
- Consumer and Business Services – DCBS State Data Center Migration; and PUC Electronic Filing and E-Discovery System
- Natural Resources – DOE Customer Relationship Management System; DOGAMI IT modernization plan (migration to the State Data Center); and DOGAMI 3D Elevation Program
- Transportation – ODOT Time and Attendance Management System (TAMS); ODOT OreGo FASTAct; and ODOT DMV Real ID Act Compliance
- Administration – Office of the Governor, Office of the State CIO Assessment Action Plan; Office of the State CIO FirstNet (Public Safety Broadband Network Planning); Office of the State CIO MUSIC Project (Voice Over IP Telephony); Office of the State CIO/DAS IT Vendor Management Program (BaseCamp); Office of the State CIO Office 365 E-mail Migration; Office of the State CIO Orthoimagery Acquisition and Storage; OregonBuys Electronic Procurement System (Multi-Agency Project); Treasurer of State Cash Management Improvement and Renewal Program (CMIRP); Treasurer of State Information Security Program; Legislative Administration Disaster Recovery Cold Site; Legislative Administration document publishing and management system; Legislative Administration Voice over IP Telephony; Secretary of State OregonBuys E-procurement system; and Secretary of State OCVR/ORESTAR Integration

### **Other Actions**

During the 2017 session, the Transparency Oregon Advisory Commission met to receive an update on the Oregon Transparency Website and to adopt the Commission's biennial report.

## Fiscal Impact Statements

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A fiscal impact statement is an independent, objective analysis of the expenditure, revenue, staffing, and organizational effects of a substantive legislative measure on state and local government. A fiscal impact means an increase or decrease in program expenditures, non-tax revenues, or positions and full-time equivalent (FTE) compared to the current biennium's approved budget. There are several general types of fiscal impact statements:<sup>8</sup>

- **No fiscal impact:** A statement issued on an original measure that has no expenditure impact, or on a measure that was originally "fiscal" but has been amended so that the fiscal impact is eliminated.
- **Minimal fiscal impact:** A statement issued when a measure has a fiscal impact, but the impact can be absorbed or accommodated within an agency's existing legislatively approved budget without additional appropriation or expenditure limitation.
- **Written fiscal analysis:** A statement issued on a measure determined to have a fiscal impact beyond a "minimal" fiscal impact. When a fiscal impact cannot be determined, an "indeterminate" fiscal impact statement may be issued in order to explain why. An "explanatory" fiscal analysis may be used to describe a measure's mechanical defects or ambiguity.

### 2017 Process

ORS Chapter 173 states that fiscal impact statements are required on measures that are reported out of committee. During the 2017 session, House and Senate substantive committees, by model committee rule, were required to receive and review a fiscal impact statement prior to a measure being reported out of committee. This rule applied to most substantive measures, including those with subsequent referrals to the Committees on Finance and Revenue and the Joint Committee on Ways and Means.<sup>9</sup> The purpose of the rule is to inform substantive committee decision-making on the fiscal implications of a particular measure.

### Fiscal Impact Statistics

The fiscal impact process is affected by a number of factors including: the volume of measures introduced, the number of substantive committees, committee model rules, committee scheduling of a measure, whether the measure is amended, the number of amendments, the fiscal nature and complexity of the measure or amendment, the duration of the session, and Legislative Fiscal Office (LFO) and state and local government staffing and their experience with the legislative and fiscal impact processes.

There were 2,829 measures introduced during the session, which is 30 more than the 2015 session and 8 fewer than the average of the last five biennia. There were 3,781 amendments drafted for those bills, which is 5% less than the average of the last five biennia. Of the 2,829 measures introduced, 811 (29%) survived to become law. While not every measure introduced or amendment drafted advanced legislatively and had a fiscal impact prepared, LFO produced 2,884 fiscal impact statements during the

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<sup>8</sup> A budget report is also considered a type of fiscal impact. A budget report, however, is a product of the Joint Committee on Ways and Means and is produced for any bill, substantive or budgetary, that appropriates or allocates funds, limits expenditures, or provides for new position or full-time equivalent authority.

<sup>9</sup> A complete fiscal impact statement is not required for measures with a subsequent referral to another substantive committee. A "Fiscal Lite", which states that the fiscal impact of the bill will be reviewed in another committee, may be issued instead. There were 323 "Fiscal Lites" issued during the 2017 session, a 28% decrease from 2015.

2017 session, which is 391, or 12%, less than the 2015 session and 159, or 5%, less than the average for the five biennia.

Of the 2,884 fiscal impacts issued, 1,234 (43%) were written Fiscal Impact Statements; 992 (34%) were Minimal Fiscals; and 658 (23%) were No Fiscals. The number of written Fiscal Impact Statements is 1% less than the average of the past five biennia.

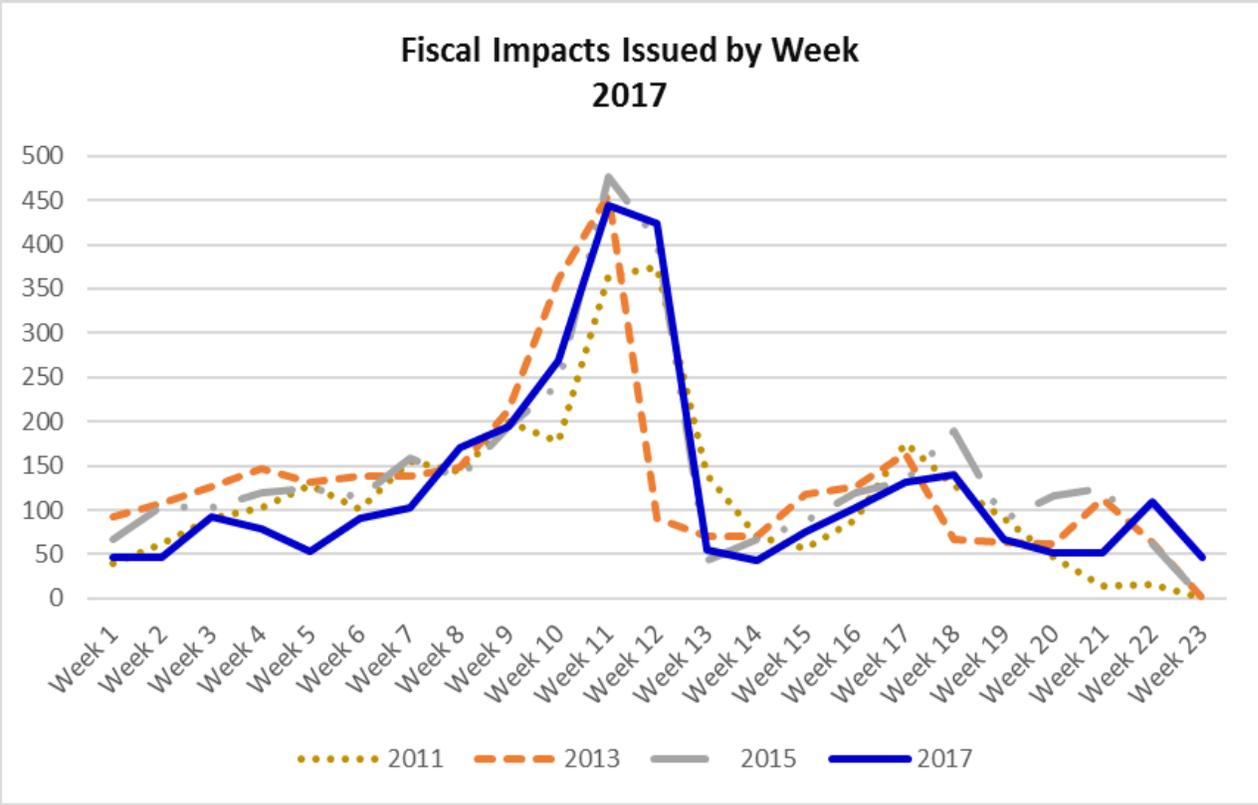
The following table provides a comparison of fiscal impact-related information as well as an average for the last five regular legislative sessions.

<b>Regular Legislative Session</b>	<b>2009</b>	<b>2011</b>	<b>2013</b>	<b>2015</b>	<b>2017</b>	<b>Five Biennia Average</b>
Length of Regular Session (Days)	169	150	155	155	114	149
<b>Number of Measures and Admendments</b>						
Measures Introduced	2,782	3,020	2,675	2,799	2,829	2,821
Admendment Drafted	4,407	3,636	3,941	4,106	3,781	3,974
Total	7,189	6,656	6,616	6,905	6,610	6,795
Measures Enrolled	980	793	720	847	811	830
<i>% of Measures Introduced Enrolled</i>	<i>35.23%</i>	<i>26.26%</i>	<i>26.92%</i>	<i>30.26%</i>	<i>28.67%</i>	<i>29.43%</i>
<b>Fiscal Impact Statement (FIS)</b>						
Written Fiscal Analysis	1,133	1,123	1,275	1,475	1,234	1,248
Minimal Fiscal	1,095	880	1,198	1,007	992	1,034
No Fiscal	997	740	613	793	658	760
Total	3,225	2,743	3,086	3,275	2,884	3,043
<i>% Written Analysis</i>	<i>35.13%</i>	<i>40.94%</i>	<i>41.32%</i>	<i>45.04%</i>	<i>42.79%</i>	<i>41.02%</i>
<i>% Minimal Fiscal</i>	<i>33.95%</i>	<i>32.08%</i>	<i>38.82%</i>	<i>30.75%</i>	<i>34.40%</i>	<i>34.00%</i>
<i>% No Fiscal Impact</i>	<i>30.91%</i>	<i>26.98%</i>	<i>19.86%</i>	<i>24.21%</i>	<i>22.82%</i>	<i>24.99%</i>

Note 1: The primary sources of information for this table include the Oregon Legislative Information System LFO Fiscal Docket; the Final Status Report(s) for House and Senate Measures; and Legislative Counsel's Statistical Summaries.

Note 2: Budget report statistics are excluded from this analysis.

The following chart outlines the number of fiscal impacts issued each week in the 2011, 2013, 2015, and 2017 sessions. The volume of fiscals issued in 2017 peaked during the weeks of April 10 and April 17, which corresponds to the deadline for bills to be reported out of the committee of origin. This not only resulted in a substantially increased workload, over triple the average, but also an increase in bills subsequently referred to the Rules Committees, Revenue Committees, and the Joint Committee on Ways and Means. During this two-week period, there were 867 fiscal impacts issued, 30% of all fiscals issued, which is comparable to 2015 for the same period. There was a total of 416 bills referred to the Joint Committee on Ways and Means (combined budget and policy bills) and, of this number, 236 (57%) received a hearing and 227 (55%) were ultimately passed out to the chambers.



## Substantive Bills Enacted into Law with a Budget Effect

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In addition to appropriations bills, the Legislature approved substantive bills that had a budgetary or fiscal impact. The following is a summary, by program area, detailing the most noteworthy<sup>10</sup> substantive bills reported out of the Joint Committee on Ways and Means, which either became law or were referred to voters.<sup>11</sup> (Although it was not referred to Ways and Means, SB 1057 is included at the end of this list because of its budgetary impact.)

### Referrals to the Joint Committee on Ways and Means

Of the 2,829 measures introduced during the 2017 session, 416 (15%) were referred to the Joint Committee on Ways and Means.<sup>12</sup> Of the referred bills, 90 (22%) were budget bills referred directly to Ways and Means. The remaining 326 (78%) bills were substantive or non-budget bills. Of the substantive bills in Ways and Means, 146 (45%) received a public hearing and 137 (42%) were reported out.

### EDUCATION PROGRAM AREA

HB 2038 (Chapter 609, Oregon Laws 2017) makes changes to the competitive grants for the Farm-to-School program and appropriates \$4.5 million General Fund to the program for 2017-19.

HB 2246 (Chapter 615, Oregon Laws 2017) makes changes to Ballot Measure 98 (High School Graduation and College and Career Readiness Act) to provide additional flexibility to school districts, including allowing up to 15% of the total funds awarded to be used for activities for 8th graders, and removing the requirement that grant awards support activities in each of the three focus areas (career and technical education, accelerated learning and drop-out prevention) for smaller districts. A total of \$170 million General Fund is available for distribution to school districts in the Department of Education's budget for the 2017-19 biennium.

HB 2729 (Chapter 708, Oregon Laws 2017) provides \$1 million General Fund to the Higher Education Coordinating Commission for an Open Education Resources grant program. Post-secondary institutions may receive grants to develop OER materials and develop a plan for a statewide OER depository, if determined necessary.

HB 2763 (Chapter 662, Oregon Laws 2017) appropriates \$1.7 million General Fund to the Teacher Standards and Practices Commission to reimburse an estimated 150 teachers for costs incurred to seek and obtain National Board Certification. The bill directs TSPC to waive the renewal fee for the licenses of educators who are certified by a national professional organization for teaching standards recognized by the TSPC. TSPC may retain \$142,814 of the funding for one limited duration position (1.00 FTE) to process reimbursements.

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<sup>10</sup> Several bills which would otherwise be included in this section are included elsewhere in the document. SB 1067 has its own section and SB 90, HB 2906 and HB 3361 are in the section on Information Technology legislation.

<sup>11</sup> Additional information can be found in a measure's budget report, an agency budget report, the budget reconciliation bill (i.e., HB 5006), or a fiscal impact statement. This information is available on the Oregon Legislative Information System (OLIS). Other information posted to the Legislature's website includes summaries of major legislation produced by the Legislative Revenue Office and the Legislative Policy and Research Office.

<sup>12</sup> The average number of measures referred to Ways and Means since the 2003 biennium is 14% of introduced measures.

HB 2992 (Chapter 668, Oregon Laws 2017) requires background checks for volunteers that have direct unsupervised contact with students, and permits the option of a nationwide criminal records check for school employees and volunteers (\$442,500 Other Funds impact on Department of Education).

HB 2998 (Chapter 669, Oregon Laws 2017) requires community colleges and public universities to establish foundational curricula and statewide transfer agreements to facilitate the transfer of community college academic credits to a public university. The Higher Education Coordinating Commission is required to convene meetings of staff from public post-secondary institutions to establish at least one foundational curriculum for use by the beginning of the 2018-19 school year, and an increasing number of curricula in successive years. An annual report to the Legislature is required on the status of these agreements. The bill appropriates \$220,490 General Fund for two positions (0.96 FTE) to convene meetings, conduct data analysis, and prepare required reports.

SB 13 (Chapter 632, Oregon Laws 2017) provides for the development of a statewide curriculum relating to Native American Tribal History and Sovereignty. The Department of Education budget includes \$1.8 million General Fund for grants to the nine Tribal governments and \$200,000 for ODE.

SB 111 (Chapter 639, Oregon Laws 2017) directs the Department of Education to aid school districts or education service districts with Medicaid billing for school nursing services. ODE will coordinate between school districts and Medicaid billing experts at the Oregon Health Authority; create school district plans to maximize Medicaid billing for school nursing services; and provide a report to the Legislature no later than October 1, 2020. The bill provides for \$529,935 General Fund and \$108,776 Federal Funds to ODE and the OHA for three positions (2.67 FTE).

SB 182 (Chapter 639, Oregon Laws 2017) establishes the Educator Advancement Council and corresponding Fund to coordinate and distribute educator professional development resources. During the 2017-19 biennium, the Council will establish a system of educator networks to facilitate communication and improve teaching and learning, and will play a limited role in the distribution and use of existing professional development funds. Beginning in 2019-21, the Council and local networks replace the existing Network for Quality Teaching and Learning and will have a much larger role in state and local coordination and distribution of the funds. The current Network has approximately \$39 million Other Funds available for professional development.

SB 187 (Chapter 640, Oregon Laws 2017) establishes the Vision Health Account and directs the Department of Education to reimburse eligible providers up to \$3.20 per student for vision screenings. The bill appropriates \$1 million General Fund for 2017-19 for reimbursements and administrative expenses.

SB 256 (Chapter 734, Oregon Laws 2017) establishes a commission to advise state and local agencies on the Willamette Falls Locks and provides \$190,000 General Fund for the Oregon Solutions program at Portland State University to staff the commission.

SB 1032 (Chapter 697, Oregon Laws 2017) removes the \$10 million annual limit on Oregon Promise grants, and exempts National Guard members and others from the requirement that participants enroll in the program within six months of high school graduation. The bill also allows the Higher Education Coordinating Commission to limit eligibility (likely based on Earned Family Contribution levels) if the \$40 million in General Fund allocated to the program for 2017-19 is insufficient to meet demand.

SB 1062 (Chapter 700, Oregon Laws 2017) requires public schools and education service districts to develop and adopt a Healthy and Safe Schools Plan to address environmental conditions. It also carves out \$2 million from the State School Fund beginning in 2019-21 for grants to cover costs associated with testing for elevated levels of lead in water used for drinking or food preparation. The Department of Education must: 1) issue grants up to \$25,000 each for the assessment of these potential environmental hazards; 2) provide financial assistance to schools to develop and administer the Healthy and Safe Schools Plan; and 3) provide professional development to school staff regarding Plan requirements and reporting. The Oregon Health Authority will develop recommendations for reducing environmental conditions presenting health concerns in schools, and adopt mandatory guidelines for testing and reducing exposure to elevated levels of lead in drinking water. The bill provides \$111,577 General Fund to ODE for one position (0.50 FTE).

## **HUMAN SERVICES PROGRAM AREA**

HB 2198 (Chapter 613, Oregon Laws 2017) establishes the nine-member Oregon Cannabis Commission within the Oregon Health Authority charged with developing a framework for the future governance of the Oregon Medical Marijuana Program. In addition, the bill allows marijuana grow sites to transfer up to 20 pounds of usable marijuana per year to a recreational marijuana processor or wholesaler under certain conditions. The bill appropriates \$250,000 General Fund to OHA to support the Oregon Cannabis Commission.

HB 2300 (Chapter 619, Oregon Laws 2017) establishes the 15-member Mental Health Clinical Advisory Group within the Oregon Health Authority charged with developing evidence-based algorithms for mental health treatments with mental health drugs. The bill appropriates \$287,566 total funds to OHA to support the Advisory Group. These expenses are funded at 50% Medicaid match.

HB 2310 (Chapter 627, Oregon Laws 2017) modifies the timeline and process for submitting local public health implementation plans, and clarifies formula distribution language. The bill also clarifies how and when a county may relinquish their local public health authority to the state. HB 5026 included \$5 million General Fund to begin implementing this program.

HB 2319 (Chapter 104, Oregon Laws 2017) merges the Board of Licensed Professional Counselors and Therapists with the Board of Psychologist Examiners to form the Mental Health Regulatory Agency. The budgetary savings from this bill is addressed in SB 5513.

HB 2391 (Chapter 538, Oregon Laws 2017) extends the sunset on the hospital assessment for two more years to September 30, 2021, and establishes the Oregon Reinsurance Program within the Department of Consumer and Business Services. It also revises the structure of the hospital assessment program, increasing the assessment rate paid by diagnostic related group hospitals; establishing an assessment for Type A and Type B rural hospitals, which are not currently part of the assessment program; exempting the Oregon Health and Science University from the assessment program; and creating a new insurer premium tax. As an alternative to the hospital assessment, OHSU and the Oregon Health Authority will establish a separate intergovernmental transfer funding program collapsing several Medicaid payments into the new program. Passage of this bill is projected to increase revenue to OHA by an estimated \$653 million Other Funds, and generate a projected federal match of \$1,886 million for the 2017-19 biennium. The bill provides DCBS with \$154,053 Other Funds and one limited duration position (0.88 FTE) for 2017-19.

HB 2402 (Chapter 540, Oregon Laws 2017) provides \$50,000 General Fund to the Oregon Health Authority to award grants to state and local agencies to cover the cost for homeless individuals to obtain their birth certificates.

HB 2503 (Chapter 499, Oregon Laws 2017) requires the Health Licensing Office to establish a new board and program for licensing and regulating the practice of lactation consultants. Fees are expected to cover the estimated cost of \$31,682 for the 2017-19 biennium.

HB 2661 (Chapter 656, Oregon Laws 2017) requires persons providing long-term care referrals to register with, and pay a fee to, the Department of Human Services every two years. The bill also establishes definitions for the industry and imposes certain requirements on these providers or agents. The bill includes a \$57,401 General Fund appropriation, a \$56,250 Other Funds expenditure limitation, and 2 part-time permanent positions (0.50 FTE) for DHS to implement the program.

HB 2684 (Chapter 707, Oregon Laws 2017) requires that rate increases to residential training homes and residential training facilities result in comparable wage increases for direct support professionals, increases annual licensing fees from \$20 to \$50, and mandates the submission of a staffing survey to the Department of Human Services. The licensing fee increase is estimated to generate an additional \$171,000 in biennial Other Funds revenue, which DHS will use to pay for training for direct support professionals.

HB 3261 (Chapter 718, Oregon Laws 2017) requires the Oregon Health Policy Board to assess the health care workforce needs in Oregon and evaluate the effectiveness of provider incentive programs. Based on those assessments, the Board will determine how to allocate moneys in the Health Care Provider Incentive Fund among various incentive and workforce/training programs. The incentive programs will be funded with \$3.2 million General Fund for Oregon Health and Science University to fund their two programs for the first year, and \$13.8 million for the Oregon Health Authority. Up to \$1 million is allocated in the bill for administrative expenses to cover the costs of administering the programs and doing the evaluations.

HB 3359 (Chapter 679, Oregon Laws 2017) includes several requirements related to safety, quality, and staffing of residential care facilities, long-term care facilities, and adult foster homes. The bill also establishes a Residential Care Quality Measurement Program within the Department of Human Services and creates a Quality Measurement Council to advise the agency regarding program operations. The bill includes \$1,274,528 Other Funds expenditure limitation, \$1,271,273 Federal Funds expenditure limitation, and 10 positions (8.80 FTE) for DHS to implement the bill. The associated Other Funds revenues are from licensing fees and civil penalties that accrue to the Quality Care Fund.

HB 3391 (Chapter 721, Oregon Laws 2017) requires health benefit plan coverage of specified health care services, products, and procedures related to reproductive health, all without cost sharing. It also requires the Oregon Health Authority to reimburse the cost of reproductive health services to individuals who would be eligible for medical assistance except for their immigration status. Certain exemptions apply for plans sold to religious employers, as well as for abortion services if an insurer excludes that benefit in all its plans during the year. The bill directs OHA, in consultation with the Department of Consumer and Business Services, to design a program to provide statewide access to abortion coverage for Oregon residents enrolled in health plans where abortion is excluded from coverage. The bill includes an appropriation of \$10,195,935 General Fund to OHA.

SB 53 (Chapter 559, Oregon Laws 2017) increases licensing fees of in-home care agencies and hospice programs and establishes a tiered fee structure for in-home care agencies based upon the type of service provided. The fee revenue will pay for inspection, licensure, and compliance investigations. The increase in Other Funds expenditure limitation is \$176,213 for this program.

SB 65 (Chapter 442, Oregon Laws 2017) authorizes the Psychiatric Security Review Board to establish a restorative justice program to assist crime victims. The bill also modifies language relating to jurisdiction over persons found guilty except for insanity for certain crimes. The bill is expected to have a minimal fiscal impact on PSRB, as the agency will have the staffing capacity the second half of the biennium to pick up the hearings previously conducted by the Oregon Health Authority. The bill is expected to save \$401,413 General Fund and a reduction of one FTE for the Oregon State Hospital in the 2017-19 biennium.

SB 102 (Chapter 721, Oregon Laws 2017) creates an Adoption Applicable Child Savings Fund, separate from the General Fund, to capture certain program savings for later use by the Department of Human Services consistent with federal requirements. Associated actions in the DHS budget bill (SB 5526) pay \$3.3 million General Fund into the fund and establish a \$3.3 million Other Funds expenditure limitation to spend those savings.

SB 243 (Chapter 733, Oregon Laws 2017) includes certified foster homes and developmental disabilities residential facilities in statutes concerning welfare of children in care. The Department of Human Services anticipates an increase in training needs, notification requirements, and legal activity as providers and other system participants adapt to the different standard of abuse definition. To cover these costs, the DHS budget includes \$448,606 total funds and one limited duration position (0.50 FTE).

SB 512 (Chapter 651, Oregon Laws 2017) establishes parentage based on the presumption that the spouse of a birth mother is a parent to her child. This includes same-sex spouses of birth mothers and provides a basis for parentage for purposes of child support. The bill also clarifies parentage related to children born as the result of assisted reproduction and updates parentage language to be gender neutral. The bill includes \$52,812 General Fund for the Oregon Health Authority to cover the cost of modifying data systems.

SB 558 (Chapter 652, Oregon Laws 2017) modifies eligibility requirements to make all children who reside in Oregon eligible for medical assistance, regardless of immigration status, if family income is at or below 300% of the federal poverty guidelines. The bill also requires the Oregon Health Authority to establish a workgroup to advise the agency on outreach and marketing strategies for this program. The bill includes a \$36,113,214 General Fund appropriation to OHA.

SB 944 (Chapter 695, Oregon Laws 2017) directs the Oregon Health Authority to contract with an Oregon-based nonprofit organization with the expertise to operate a 24-hour call center dedicated to tracking and providing information about available placement settings for children and adolescents needing high acuity behavioral health services. The call center will also implement processes for service providers to submit data that can be used to assess and monitor daily, statewide capacity for providing high acuity behavioral health services to children and adolescents. The bill includes \$400,000 General Fund for OHA to contract to operate the call center.

## **PUBLIC SAFETY PROGRAM AREA**

HB 2355 (Chapter 706, Oregon Laws 2017) requires statewide data collection and analysis to identify possible patterns and practices of racial profiling during traffic and pedestrian stops, and for statewide training for law enforcement officers on fair and impartial policing. The bill also reduces the sentence for possession of user quantities of certain drugs from a felony to a Class A misdemeanor under certain circumstances, without reducing the community-based supervision and treatment services. The measure appropriates \$347,351 General Fund to the Criminal Justice Commission for two positions for data collection and analysis; provides \$431,330 Other Funds expenditure limitation to the Department of Public Safety Standards and Training to develop an education program to reduce profiling; and appropriates \$780,418 General Fund and \$750,000 Other Funds expenditure limitation for three limited duration positions to the Department of State Police to develop and implement a data collection system.

HB 2687 (Chapter 657, Oregon Laws 2017) establishes a grant program to allow local governments to distribute or purchase emergency equipment. The bill directs the Office of Emergency Management to maintain an inventory and conduct inspections of equipment purchased under the program. The Military Department budget includes \$5,000,000 of Other Funds expenditure limitation for the OEM grants. Program operations require \$181,178 General Fund and \$181,178 Federal Funds expenditure limitation and two positions (2.00 FTE).

HB 3078 (Chapter 673, Oregon Laws 2017) makes changes to several public safety programs and sentences for crimes, including extending the limit for short-term transitional leave from prison from 90 to 120 days, and modifying two Measure 57 crimes (theft in the first degree and identity theft) to permit shorter presumptive sentences with stricter supervision. The bill also expands the Family Sentencing Alternative Pilot Program to include offenders who are pregnant at the time of sentencing, and requires courts to impose participation in the program under certain conditions. The Criminal Justice Commission is directed to study the impact of these changes on prison use, recidivism, and public safety and report the results to the Legislature. The measure includes \$7 million General Fund to CJC for grants for county downward departure prison diversion programs, and \$1 million General Fund to the Department of Justice to fund services for victims of domestic and sexual violence.

SB 844 (Chapter 692, Oregon Laws 2017) authorizes the Department of Corrections to collect certain amounts in an inmate's trust account for payment of some court-ordered financial obligations, and to establish a re-entry savings account for each adult in custody. The measure includes Other Funds expenditure limitation of \$500,000 for a software upgrade for the inmate trust account system, and a General Fund appropriation of \$275,000 for required system enhancements.

SB 1041 (Chapter 698, Oregon Laws 2017) directs the Criminal Justice Commission to study, track and account for all public money appropriated for and spent on alcohol and drug treatment, whether by the state, other public entities, or private entities who have contracts with state or local governments. The CJC must report to the Legislature by September 15, 2019. The measure appropriates \$284,344 General Fund for one limited duration position (1.00 FTE) to develop a system to track alcohol and drug treatment funds and identify treatment outcomes.

## **JUDICIAL BRANCH**

SB 505 (Chapter 650, Oregon Laws 2017) requires county district attorneys to electronically record grand jury proceedings, and to store and maintain copies of the audio recording. The bill provides for a phased-in implementation with Deschutes, Multnomah, and Jackson counties beginning to record grand jury proceedings on March 1, 2018, and all other counties beginning on July 1, 2019. The budget provides \$2.1 million General Fund to the Judicial Department, and a \$7.9 million special purpose General Fund appropriation to the Emergency Board for implementation costs.

HB 2605 (Chapter 631, Oregon Laws 2017) establishes two new circuit court judge positions: one in Washington County, and one in Josephine County. The new judicial positions become effective in January 2019. The measure appropriates \$617,468 General Fund to the Judicial Department, and establishes eight positions (2.48 FTE) associated with the new judgeships.

HB 2795 (Chapter 663, Oregon Laws 2017) modifies identified court fees, and increases the percentage of court fee revenues to the State Court Technology Fund from 4.75% to 8.85%. The measure will increase revenue to the Judicial Department for technology systems and services by approximately \$3.31 million in the 2017-19 biennium.

HB 2797 (Chapter 712, Oregon Laws 2017) increases presumptive fines for violations by \$5, effective January 1, 2018, and increases the amount of the fine that must be distributed to the Criminal Fine Account, prior to any other distributions, by \$5. The measure also expands the allowable uses of Criminal Fine Account moneys to include allocations to the State Court Technology Fund. The measure increases Criminal Fine Account revenue by \$3.11 million in the 2017-19 biennium, with the expectation that the additional funds will be allocated to the State Court Technology Fund.

## **ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA**

HB 2002 (Chapter 608, Oregon Laws 2017) requires owners of certain publicly-supported affordable housing properties with expiring or terminating affordability contracts to provide notice of such expiration or termination to give the Housing and Community Services Department, a local government or their respective designee an opportunity to purchase the property. The measure also requires HCSD to maintain a database on publicly-supported housing. The measure includes \$453,320 General Fund for HCSD for two permanent positions (1.84 FTE) to manage the notice requirements, coordinate with stakeholders and local governments, and maintain the affordable housing database.

HB 2012 (Chapter 703, Oregon Laws 2017) establishes the Eastern Oregon Border Economic Development Board and a corresponding Fund in the Oregon Business Development Department. The Board is charged with developing and implementing strategies for workforce and economic development in the region bordering Idaho. The Board is authorized to make grants and loans to promote these strategies. The bill includes a General Fund appropriation of \$5 million to OBDD for up to \$4.96 million in grant and loan awards, and up to \$40,000 for OBDD's costs to administer the program.

HB 2724 (Chapter 659, Oregon Laws 2017) creates a rent guarantee program in the Housing and Community Services Department, whereby incentives or financial assistance may be paid in certain circumstances to landlords who rent or lease to graduates of a qualifying tenant education program. A

total of \$223,247 General Fund is appropriated for the program, including one limited duration position (0.50 FTE).

HB 2741 (Chapter 660, Oregon Laws 2017) appropriates \$150,000 General Fund to the Wildfire Damage Housing Relief Account, which provides grants of up to \$7,000 to qualifying low-income households that suffer a loss of housing due to a wildfire.

HB 2891 (Chapter 664, Oregon Laws 2017) creates the Department of Veterans' Affairs Veteran Services Grant Fund and authorizes ODVA to make grants of \$25,000 to \$250,000 per recipient for the benefit of veterans, including expanding outreach and services, and promoting mental and physical health care, housing security, employment opportunities, education, and transportation accessibility. Grants may be awarded to promote veterans' organizations that provide critical services for veterans. The bill includes Lottery Funds expenditure limitation of \$555,000 for grants and costs to administer the program.

HB 2908 (Chapter x, Oregon Laws 2017) establishes a veteran volunteer coordinator position within the Department of Veterans' Affairs to establish a statewide veterans volunteer program, including training, recruiting, screening, and coordinating volunteers. The bill includes Lottery Funds expenditure limitation of \$245,509 to establish the position (0.92 FTE) and cover costs for the volunteer program.

SB 143 (Chapter 731, Oregon Laws 2017) requires the Department of Veterans' Affairs to develop and implement grant programs to support existing programs that help veterans transition from military service to college life. Grants of up to \$100,000 will be awarded to community colleges and public universities based on specified criteria. The bill includes Lottery Funds expenditure limitation of \$1,187,194 for grants and to establish a student veterans' coordinator position (0.92 FTE) to administer the grant program.

## **CONSUMER AND BUSINESS SERVICES PROGRAM AREA**

HB 2356 (Chapter 625, Oregon Laws 2017) establishes a new regulatory program within the Department of Consumer and Business Services to oversee debt purchasers, adds new categories of unlawful collection practices, and expands the director's rulemaking authority to define dishonest, illegal, or unethical practices. License fees will cover costs for this program. The bill includes \$165,351 Other Funds expenditure limitation to fund a Financial Examiner 2 position (0.88 FTE).

HB 3279 (Chapter 676, Oregon Laws 2017) expands the definition of labor contractors to include Property Service contractors. Property Service contractors provide janitorial services to others. The Bureau of Labor and Industries will license and collect data from these contractors, as well as provide or approve certain training for managers and the employees. BOLI will assess fees to cover the costs associated with licensing and compliance. The bill provides BOLI with \$156,267 Other Funds expenditure limitation for two positions (1.50 FTE).

SB 98 (Chapter 636, Oregon Laws 2017) creates a program within the Department of Consumer and Business Services to regulate certain third-party residential mortgage loan servicers. The bill provides \$166,018 Other Funds expenditure limitation and one position (0.88 FTE).

SB 828 (Chapter 691, Oregon Laws 2017) establishes work scheduling standards for employers in certain retail, hospitality, and food service industries with at least 500 employees. General Fund in the amount

of \$413,787 was included in the Bureau of Labor and Industries budget for two permanent positions (1.50 FTE) to investigate violations of the new requirements and one limited duration position (1.00 FTE) to develop notice materials and provide employer training.

SB 860 (Chapter 694, Oregon Laws 2017) requires the Department of Consumer and Business Services to conduct examinations of health insurers to review reimbursement parity and utilization management procedures for behavioral mental health providers, as compared to medical providers and mental health providers with prescribing privileges. DCBS will receive reimbursement from the insurers for the cost of the examinations.

## **NATURAL RESOURCES PROGRAM AREA**

HB 2743 (Chapter 709, Oregon Laws 2017) directs the Department of Land Conservation and Development to establish and implement an economic development pilot project allowing for an expansion of the urban growth boundary to land adjacent to a rural airport to promote economic development, industry growth, and job creation in a rural area. The bill provides \$90,660 Other Funds expenditure limitation to DLCD to pay for the development of rules for the pilot program. The revenue is anticipated to come from the city participating in the program.

HB 2784 (Chapter 711, Oregon Laws 2017) clarifies that Department of Agriculture is the lead agency responsible for state administration of programs and policies relating to the commercial cultivation of oysters, clams, and mussels. The bill directs ODA to conduct a pilot project designed to increase the frequency of water quality monitoring and analysis related to the closure and opening of shellfish harvesting on state lands. The bill provides \$50,000 General Fund for the project.

HB 3350 (Chapter 678, Oregon Laws 2017) establishes the Office of Outdoor Recreation within the Parks and Recreation Department. It appropriates \$218,894 General Fund for the 2017-19 biennium and establishes one Principal Executive Manager E position (0.88 FTE). The position will function as the Associate Director of Outdoor Recreation to supervise the office and to consult with outdoor recreation representatives, coordinating, developing, and promoting information and policies regarding outdoor recreation opportunities and economic benefits.

HB 3427 (Chapter 723, Oregon Laws 2017) requires owners or operators of dams with a high hazard rating to develop emergency action plans and file them with the Office of Emergency Management and local emergency services agencies. Oregon currently has 75 state-regulated high hazard dams; 58 of those have emergency action plans and 13 have early warning systems. High hazard dams are those where loss of human life is expected should the dam fail. The budget bill (SB 5542) for the Water Resources Department included additional Other Funds and Federal Funds limitation totaling \$245,222 for the establishment of an additional Dam Safety Engineer position (1.00 FTE) to support the requirements of this bill.

SB 1039 (Chapter 744, Oregon Laws 2017) establishes the Oregon Coordinating Council on Ocean Acidification and Hypoxia to research and monitor activities needed to understand changing ocean chemistry and to develop a strategy to address ocean acidification and hypoxia. The bill provides \$162,286 General Fund and one position (0.75 FTE) at the Department of Fish and Wildlife to support the Council.

## **TRANSPORTATION PROGRAM AREA**

HB 3202 (Chapter 714, Oregon Laws 2017) establishes the procedures, requirements, and roles for siting of the Southwest Corridor MAX Light Rail Project. The bill requires the Department of Transportation to issue development approvals, permits, licenses, and certificates, as necessary, for the construction of this project. The bill includes \$205,157 Other Funds expenditure limitation for a Senior Planner position at ODOT.

HB 2638 (Chapter 655, Oregon Laws 2017) establishes a certification program for Ignition Interlock Device (IID) service centers and technicians including certification, inspection, criminal background checks for installers, and tracking and follow-up of negative IID reports. This program will be operated initially by the Department of Transportation, and then will transfer to the Department of State Police on July 1, 2019. The program will be funded with revenue from a National Highway Safety Administration impaired driving grant until application and certification revenues are received. The bill includes \$394,383 Other Funds expenditure limitation to support three full-time limited duration positions.

HB 2017 (Chapter 750, Oregon Laws 2017) enacts a variety of initiatives for the transportation package of 2017. The bill makes changes to the Oregon Transportation Commission (OTC); establishes an internal auditor at the Department of Transportation; makes permanent the Joint Committee on Transportation; provides for new revenue from increased fees and taxes, and the creation of a payroll, privilege, and use tax; increases the distribution of funds to small cities and counties; establishes requirements for the distribution of *ConnectOregon* funds; transfers the jurisdiction of certain highways to local governments; and, makes changes to the Low Carbon Fuel Standards program. The bill requires the Department of Environmental Quality to coordinate with the Department of Administrative Services to annually forecast the availability of fuels in Oregon; implement compliance deferral mechanisms if the forecast demonstrates the availability of fuels is insufficient to comply with the low carbon fuel standards; implement emergency deferrals that address compliance issues associated with a short-term emergency disruptions in fuel availability; establish a Credit Clearance Market allowing regulated parties to buy the credits necessary for compliance with the standards; and, implement measures to enhance program and market transparency. HB 5045 provided Other Funds expenditure limitation of \$115,152,177 and 41.63 FTE positions to begin implementation of HB 2017.

## **ADMINISTRATION PROGRAM AREA**

HB 2600 (Chapter 630, Oregon Laws 2017) transfers administration of the Court Appointed Special Advocates (CASA) program from the Housing and Community Services Department to the Department of Administrative Services. The bill includes \$2,501,299 General Fund, \$2,231,252 Other Funds expenditure limitation, and one position (1.00 FTE) for the program. A budget note directs DAS to work with HCSD, the Oregon CASA Network, and stakeholders to develop administrative capacity to enhance the long-term stability of local CASA programs.

HB 3067 (Chapter 672, Oregon Laws 2017) appropriates \$200,000 General Fund to the Department of Administrative Services to distribute to Marion and Polk Counties for CourtCare pilot programs to provide child care and serve as a clearinghouse for information and resource referrals for individuals and families with court-related business in or near a county courthouse.

SB 106 (Chapter 728, Oregon Laws 2017) creates the Public Records Advocate and the Public Records Advisory Council to help resolve disputes between requesters of public records and the public bodies. The Advocate will also provide training and guidance on public records request requirements and best practices to state agencies and local governments. The bill appropriates \$633,187 General Fund to the Department of Administrative Services for two permanent full-time positions.

SB 254 (Chapter 644, Oregon Laws 2017) requires financial institutions to participate in a data match program with the Department of Revenue. The program will identify assets held by delinquent debtors to facilitate garnishments. Costs for this program include vendor fees and payments to financial institutions. General Fund costs are estimated to be \$165,506 for one year of expenses in the 2017-19 biennium and \$60,216 for the 2019-21 biennium. Other Funds costs, which would be spread across multiple agencies, the Judicial Department, and public universities, are estimated to be \$55,169 for the 2017-19 biennium and \$20,072 for the 2019-21 biennium. These costs assume a 75% fee recovery rate from debtors.

## **LEGISLATIVE BRANCH**

HB 2101 (Chapter 654, Oregon Laws 2017) creates the Oregon Sunshine Committee to make recommendations to a new Legislative Counsel subcommittee regarding changes to public records laws. It also requires Legislative Counsel to prepare an open government impact statement for bills that affect disclosure of public records. Legislative Counsel has additional staff included in their budget to support these new activities and other open records efforts. The bill includes a \$212,831 General Fund appropriation and 2 positions (0.88 FTE) for the Department of Justice.

## **OTHER**

### **Bills establishing task forces, work groups, and advisory councils**

Of the 326 referred substantive or non-budget bills, 49 (15%) established a task force or advisory work group. Of these 49 bills, 20 (41%) received a public hearing and were reported out by the Joint Committee on Ways and Means. Unless otherwise noted, agencies are expected to absorb the cost of staffing and serving on each task force.

HB 2845 (Chapter 501, Oregon Laws 2017) requires the Department of Education (ODE) to convene a 13-member advisory group to review the current standards for social sciences and identify opportunities to recognize histories, contributions, and perspectives of ethnic and social minorities. The bill appropriates \$43,149 General Fund and authorizes one position (0.25 FTE) for ODE.

HB 3276 (Chapter 719, Oregon Laws 2017) directs the Public Health Director to convene a task force to make recommendations for legislative changes to improve student health insurance coverage, as well as to prepare for future public health emergencies by recommending changes to public health policies relating to vaccinations.

HB 3412 (Chapter 722, Oregon Laws 2017) creates the 11-member Task Force on Assessments of Children Who Are Deaf or Hard of Hearing charged with making recommendations for assessing deaf and hard-of-hearing children to determine children's competencies in language and literacy skills to ensure successful access to the kindergarten curriculum in an equitable manner.

SB 231 (Chapter 643, Oregon Laws 2017) establishes the 11-member Task Force on Student Mental Health Support charged with examining the impact of mental health issues and substance abuse disorders on college recruitment, retention, and graduation. The bill includes \$134,000 General Fund for the Higher Education Coordinating Commission (HECC) to provide staff support for the task force. It is expected that HECC and the Oregon Health Authority will enter into an inter-agency agreement to handle the costs of supporting this task force.

SB 419 (Chapter 648, Oregon Laws 2017) creates the Task Force on Health Care Cost Review to study the feasibility of establishing a hospital rate-setting process, modeled on the process used in Maryland. The Legislative Policy and Research Office will provide staff support to the task force.

**Bill modifying the Oregon recreational and medical marijuana programs**

SB 1057 was not considered by the Joint Committee on Ways and Means. It is included here because of its budgetary impact.

SB 1057 (Chapter 183, Oregon Laws 2017) modifies the recreational and medical marijuana programs administered by the Oregon Liquor Control Commission and the Oregon Health Authority, including requiring OLCC to establish a medical designation under the OLCC licensure system for medical marijuana growers, processors, wholesalers, and retailers. The bill provides for the quarterly distribution of up to \$1.25 million per quarter from marijuana tax revenues to OLCC for operating costs related to tracking medical marijuana growers, processors, and dispensaries. The bill provides \$1.8 million from the Marijuana Account to pay for the startup costs of including medical growers, processors, and dispensaries in the METRC Cannabis Tracking System. To implement this bill, OLCC received Other Funds expenditure limitation of \$5,034,931 and 19 positions (10.42 FTE) for 2017-19.

## Appendix A

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### 2017-19 Capital Construction Projects

#### Higher Education Coordinating Commission – Community Colleges

The Subcommittee approved 12 new capital projects and reauthorized three capital projects approved in prior biennia for community colleges to finance total project costs of \$101,397,241. The projects are included in the budget for the Higher Education Coordinating Commission (HECC). The proceeds of Article XI-G bonds will be used to provide grants from HECC to the applicable community college, and the debt service on the bonds will be paid with General Fund. Each community college must provide the constitutionally required match for the Article XI-G bonds before the bonds can be issued. Match funds may come from a variety of sources including grants, donations, partnership contributions, local bond levies, or some combination of sources. The approved projects are listed below.

Blue Mountain Community College – Facility for Agricultural Resource Management (FARM) Phase 2: \$5,000,000 (Article XI-G bonds) was approved to design and construct a new facility to support animal science programs, including veterinary assistant/technician, equine, and the livestock judging and rodeo teams. The community college will provide the constitutionally required match for the Article XI-G bonds through various revenues.

Chemeketa Community College – Agricultural Complex: \$6,000,000 (Article XI-G bonds) was approved to construct a new agricultural complex on the main Salem campus. The complex will include a classroom and office building, storage space, a greenhouse, hoop houses, learning and research gardens, and an incubator farm. The community college will provide the constitutionally required match for the Article XI-G bonds with their Capital Development Reserve Funds.

Clackamas Community College – DeJardin Building Addition: \$8,000,000 (Article XI-G bonds) was approved to construct an 18,500 sq. ft. addition to the DeJardin building to house state-of-the-art science laboratories for chemistry, biology, and microbiology along with informal learning space lab support/shared preparation space for staff efficiency and general purpose classroom. The project scope also includes renovation and repurpose of approximately 20,000 sq. ft. of lab space in Pauling, which will be vacated after the DeJardin addition is complete, to support other STEM programs such as engineering. The community college will provide the constitutionally required match for the Article XI-G bonds with funds from 2017 tax supported bonds approved by voters in 2014.

Clackamas Community College – Student Services and Community Commons: \$8,000,000 (Article XI-G bonds) was approved for the replacement of the current community center with a new building that will provide approximately 54,500 sq. ft., doubling the current square footage for programs and services. The Student Services and Community Commons will house community common event space; multi-purpose meetings rooms and classrooms; informal learning and study lounges; student support services offices; student government and student organizations offices; and consolidation of the bookstore and dining facilities. The community college will provide the constitutionally required match for the Article XI-G bonds with funds from 2017 tax supported bonds approved by voters in 2014.

Clatsop Community College – Marine Science Center Renovation and Expansion: \$7,996,994 (Article XI-G bonds) was approved to renovate and expand the Marine Science Center building on the Marine and Environmental Research Training Station (MERTS) campus, including the addition of a second floor, labs, and expanded faculty and support space. The project scope also includes updated infrastructure throughout and in support of the new building and programs space. The community college will provide the constitutionally required match for the Article XI-G bonds through various funding options, including bonds and a capital campaign.

Columbia Gorge Community College – Middle College Prototype Facility: \$7,320,000 (Article XI-G bonds) was reapproved to construct a Middle College Prototype facility to be used by the college and the North Wasco School District to focus on grades 11 through 14 and the transition between high school and post-secondary education. The project involves: a Treaty Oak Regional Skills Center, which will include a high-bay skills center, portable equipment stations, CTE training and business incubator; equipment bay for the fire science training program; fitness facilities and a track/soccer field; and on-campus workforce housing for CGCC enrollees, Mid-Columbia Fire & Rescue District response personnel and trainees. The community college will provide the constitutionally required match for the Article XI-G bonds through a combination of direct private and public investment.

Lane Community College – Health Care Village Facility: \$8,000,000 (Article XI-G bonds) was approved to construct a new facility on the main campus for the dental clinic, dental lab, medical office assistant, faculty offices, and support spaces. This facility is expected to provide sufficient space for program consolidation, sterilization, student workspace, and modern equipment/technology for the dental programs. The community college will provide the constitutionally required match for the Article XI-G bonds through a local bond levy and/or private fundraising.

Linn-Benton Community College – Student Advising and Campus Safety Center: \$7,500,000 (Article XI-G bonds) was approved for the renovation of the student affairs and campus safety spaces, including creation of a new Student Advising Center and expanding space for public safety and disability services. This project also includes renovation of the career technical center and classroom space. The community college will provide the constitutionally required match for the Article XI-G bonds with proceeds from a 2014 bond issuance.

Mt. Hood Community College – Maywood Park Center: \$8,000,000 (Article XI-G bonds) was approved to construct a new 60,000 sq. ft. building, the Maywood Park Center, to replace the current Maywood Park building. The new facility will provide space for classrooms, student services, workforce support, administration, community meetings, and building support space. The building will house the college's western district workforce training, certificate, and degree programs. The community college will provide the constitutionally required match for the Article XI-G bonds through various revenue sources which may include grants, donations, partnership contributions, a local bond levy, or some combination of sources.

Oregon Coast Community College – Workforce Education and Resiliency Center: \$8,000,000 (Article XI-G bonds) was approved to construct a new 30,000 sq. ft., two-story building to provide space for workforce development academic programs, student study areas, as well as administrative and faculty offices. The community college will provide the constitutionally required match for the Article XI-G bonds through various revenues, including a local bond levy and a capital construction campaign.

Portland Community College – Health Technology Building Renovation: \$8,000,000 (Article XI-G bonds) was approved to demolish the 55,800 sq. ft. interior space, reconstruct instructional spaces, replace restroom fixtures and locker rooms, incorporate seismic standards, and replace non code compliant mechanical, electrical, and plumbing systems. The community college will provide the constitutionally required match for the Article XI-G bonds with proceeds from a 2008 bond levy and a 2017 bond levy (if approved).

Rogue Community College – Elk Building Science Facility Renovation and Expansion: \$6,000,000 (Article XI-G bonds) was approved for the renovation of the existing 10,086 sq. ft. Elk Building science facility and addition of 16,000 sq. ft. to provide the nursing and allied health programs with a more modern science facility. The project will increase instructional capacity, redesign lab spaces, and expand infrastructure to meet current and future academic needs. The community college will provide the constitutionally required match for the Article XI-G bonds with proceeds from a May 2016 bond.

Southwestern Oregon Community College – Dellwood Hall Remodel and Expansion: \$2,749,997 (Article XI-G bonds) was approved to remodel Dellwood Hall including construction of a 12,100 sq. ft. second floor onto the existing one story building. The project will integrate all student services into one building to create a comprehensive Student Services Center. The community college will provide the constitutionally required match for the Article XI-G bonds with private funds, grants, and possibly a bond levy.

Treasure Valley Community College – Workforce Vocational Center: \$2,830,250 (Article XI-G bonds) was reapproved for the construction of a new facility to expand space for welding training and to house natural resource, renewable energy, wild land fire, construction trades, and waste water management programs. The community college will provide the constitutionally required match for the Article XI-G bonds with grants, fundraising, and/or a district bond levy.

Umpqua Community College – Industrial Technology Building: \$8,000,000 (Article XI-G bonds) was reapproved to construct a new two-story, 68,000 sq. ft. building that will bring together automotive, welding/fabrication, and manufacturing programs into one facility. The project includes a 20-bay automotive service shop, tools room, auto classroom, lab, small lobby, and four faculty offices. The community college will provide the constitutionally required match for the Article XI-G bonds with a bond levy and/or fundraising.

### **Higher Education Coordinating Commission – Public Universities**

The Legislature approved a total of \$330,825,000 Other Funds Capital Construction six-year expenditure limitation for the Higher Education Coordinating Commission for distribution of general obligation bond proceeds to public universities. This amount corresponds to the total project amounts for the 17 new university projects authorized and an increase in one project reauthorized in SB 5505. Projects are funded with proceeds from the issuance of Article XI-G bonds, Article XI-Q bonds, and Article XI-F(1) bonds and will be disbursed as grants or loans, as applicable, pursuant to grant contracts and loan agreements between HECC and each university. The following projects were approved:

#### All Public Universities

Capital Improvement and Renewal: \$50,000,000 (Article XI-Q bonds) was approved for capital improvement projects that will address deferred maintenance, code compliance, safety issues, and

Americans with Disabilities Act (ADA) accessibility improvements for campus facilities. The projects will not involve: acquisition of buildings, structures, or land; classroom or lab modernization; or improvements to auxiliary facilities, which are typically self-supporting.

#### Eastern Oregon University

Loso Hall Renovation, Phase 1: \$5,500,000 (Article XI-Q bonds) was approved to renovate Loso Hall, including improvement or replacement of theater department performance and practice spaces, stages and support spaces, equipment, lighting, and staging systems. The project will also make ADA accessibility improvements in theater seating and building access.

Track and Field Facilities Restoration: \$750,000 (Article XI-F(1) bonds) was approved for the removal of the existing track and field athletic surfaces and associated asphalt and concrete underlayment and installation of a new rock base and drainage system with a permeable asphalt base surface. New permeable track and field competition athletic surfaces will be installed over the asphalt base. The project will also include a scorer's station at the track finish line, restroom facilities, and guest seating. The university expects to support loan repayments to HECC for debt service on the bonds through tuition and fee revenues.

#### Oregon Institute of Technology

Center for Excellence in Engineering and Technology / Cornett Hall Renovation, Phase 2: \$38,000,000 (Article XI-Q bonds) and \$2,000,000 (Article XI-G bonds) was approved for construction of the Center for Excellence in Engineering and Technology (CEET) building that will feature classrooms, laboratory, office, and project spaces focused on applied research and teaching in advanced engineering, manufacturing, and sustainable systems. The project will also complete the renovation, building envelope, and ADA accessibility improvements to Cornett Hall. The university will provide the constitutionally required match for the Article XI-G bonds.

Oregon Manufacturing Innovation Center (OMIC) Research and Development Facility: \$3,875,000 (Article XI-Q bonds) was approved to renovate the OMIC Research and Development facility, providing industrial levels of electrical infrastructure, internal temperature controls and systems, storage and management facilities for specialty gas, manufacturing support equipment, structural modifications to support heavy equipment, testing equipment, and ADA compliance.

Student Recreation Center: \$5,000,000 (Article XI-F(1) bonds) was approved to update, expand, and restore existing Athletics Facilities on campus. The university expects to support loan repayments to HECC for debt service on the bonds through building fees assessed to all students enrolled on the Klamath Falls campus.

#### Oregon State University

Cascades Expansion – Site Reclamation: \$9,000,000 (Article XI-Q bonds) was approved for the partial fill and compaction of a pumice mine to bring the site to a condition ready for infrastructure development. The property, a 46-acre pumice mine site, is adjacent to the 10-acre Cascades Campus and is near downtown Bend.

Cordley Hall Renovation, Phase 1: \$15,000,000 (Article XI-Q bonds) was approved to replace mechanical and electrical systems as well as upgrade fire and life safety systems, including a fire suppression system and modern fire alarms for the approximately 236,000 GSF research building.

Fairbanks Hall Renovation: \$11,000,000 (Article XI-Q bonds) was approved to create critically needed space in the currently unutilized fourth floor and make the building fully accessible. The project includes improvements to the building's all-wood structure, plumbing, and ventilation systems, expansion of fire protection systems, and improved fire and life safety egress.

Gilkey Hall Renovation: \$1,000,000 (Article XI-Q bonds) and \$2,000,000 (Article XI-G bonds) was approved to provide a general interior space renewal for the academic directors for undergraduate studies, the academic success center, the writing center, computer lab, and international programs. The project also includes upgrades to fire and life safety, plumbing, and HVAC systems. The university will provide the constitutionally required match for the Article XI-G bonds.

Quality Foods and Beverage Center: \$9,000,000 (Article XI-G bonds) was approved to construct a 28,500 GSF building which will include three new research and learning pilot facilities for brewing science, wine science, and dairy science. The university will provide the constitutionally required match for the Article XI-G bonds.

#### Portland State University

Graduate School of Education Facility: \$9,000,000 (Article XI-Q bonds), \$36,000,000 (Article XI-G bonds), and \$6,000,000 (Article XI-F(1) bonds) was approved to construct a new Graduate School of Education located at 4<sup>th</sup> and Montgomery Streets in Portland. The facility will be a seven to ten story mixed use building with approximately 205,000 GSF of space. The project includes acquisition of land and the design and construction of the new building, including equipment and furnishings. The project involves partnership commitments from Portland Community College, City of Portland, and Oregon Health and Science University. The university will use partnership contributions and other funds legally available to the university for the constitutionally required match for the Article XI-G bonds. The university expects to support loan repayments to HECC for debt service on the bonds with retail lease income.

Residence Hall at 12<sup>th</sup> & Market: \$53,500,000 (Article XI-F(1) bonds) was approved for construction of a new six story housing building on the corner of SW 12th and Market in Portland. The building will be approximately 144,000 GSF of space and result in 201 units and 11,000 GSF for dining services. The university expects to support loan repayments to HECC for debt service on the bonds through student housing revenue.

University Center Building Land Acquisition: \$5,000,000 (Article XI-F(1) bonds) was approved, in addition to \$10,000,000 previously approved in 2013-15, to purchase land under the university-owned University Center building. The university expects to support loan repayments to HECC for debt service on the bonds through savings from lease payments that will no longer be incurred.

#### Southern Oregon University

Central Hall Capital Improvements: \$6,000,000 (Article XI-Q bonds) was approved to replace the HVAC system and electrical systems, upgrade the fire alarm system to meet current code requirements, and address water penetration of the exterior concrete façade. The project scope also includes ADA accessibility improvements.

### University of Oregon

Campus for Accelerating Scientific Impact, Phase 1: \$50,000,000 (Article XI-G bonds) was approved for construction of the initial phase of the Campus which includes new science lab facilities located north of Franklin Boulevard and other construction, improvements, or acquisitions to support the Campus. The new science lab facilities are expected to be two research structures totaling approximately 150,000 GSF and will house core shared scientific facilities as well as labs. The project is expected to include construction of a sky bridge to connect the science campus to the main campus for safe crossing of Franklin Boulevard. This is phase one of a \$100 million project expected to be completed by June 2020. The university will provide the constitutionally required match for the Article XI-G bonds.

### Western Oregon University

Information Technology Center Renovation, Phase 3: \$5,000,000 (Article XI-Q bonds) and \$500,000 (Article XI-G bonds) was approved for seismic improvements to the building structure and replacement of mechanical, electrical and plumbing systems. The first two floors will be remodeled to maximize function, improve access, and comply with current building codes. The university will provide the constitutionally required match for the Article XI-G bonds.

Oregon Military Building Renovation, Phase 2: \$7,200,000 (Article XI-Q bonds) and \$500,000 (Article XI-G bonds) was approved to redesign and repurpose of the existing military training facility, located within the north perimeter of the campus, for year-round academic program use, improve ADA accessibility throughout the facility, and upgrade mechanical, electrical, and plumbing systems. The university will provide the constitutionally required match for the Article XI-G bonds.

### **Department of Administrative Services**

Boiler and Heating Upgrades: \$1,234,000 Other Funds (Capital Projects Fund) was approved to replace and upgrade hot water heaters and boilers in several state buildings.

Capitol Mall Parking Structure Study and Upgrades: \$2,926,000 Other Funds (Capital Projects Fund) was approved for a study, replacing the membrane on the parking structure roof, an engineering assessment, and renovation of concrete spalling and rebar damage.

Department of Human Services Building Upgrades: \$3,743,000 Other Funds (Capital Projects Fund) was approved to upgrade the electrical and plumbing systems, replace lights with LED's and new controls, and replace water heaters.

Elected Official Staff Relocation: \$6,300,000 Other Funds (Capital Projects Fund) was approved to renovate the historic State Library building for relocation of the Office of the Governor's staff from the Oregon State Capitol. The work is scheduled to occur in three phases beginning in July 2017.

Electrical Upgrades and Replacements: \$3,890,000 Other Funds (Capital Projects Fund) was approved to upgrade electrical panels, increase electrical capacity, and replace lights with LED's and new controls in several state buildings.

Employment Building Upgrades: \$6,236,000 Other Funds (Capital Projects Fund) was approved to upgrade the electrical system, roof and restrooms, and replace the plumbing, flooring, chillers, cooling tower, and air conditioning units.

Mission Critical Facility Yellow Lot Building: \$4,579,431 Other Funds (Capital Projects Fund) was approved for planning for a seismically resilient facility to be located on the yellow lot to protect critical state government operations in the event of an earthquake.

Parking Lot Upgrades: \$3,500,000 Other Funds (Capital Projects Fund) was approved to install EV charging stations and perform surface replacement and upgrades in multiple state-owned parking lots.

Planning: \$500,000 Other Funds (Capital Projects Fund) was approved to contract with various architects, engineers, and other specialists to develop feasibility analysis and reliable cost information; to prepare preliminary design for small to medium-sized projects; and to evaluate options to address maintenance problems.

Portland Crime Lab Upgrade: \$1,162,000 Other Funds (Capital Projects Fund) was approved to upgrade the chiller, pumps, and cooling tower to increase the cooling HVAC systems capacity.

Portland State Office Building Renovation: \$13,146,000 Other Funds (Article XI-Q Bonds) was approved to renovate the building exterior, including replacement of the windows and roof; upgrade security, electrical, and HVAC systems; painting; and renovating restrooms.

State Data Center Power Upgrades: \$11,000,000 Other Funds (State Information Technology Operating Fund) was approved to upgrade power and increase capacity of the data center.

## **Department of Aviation**

Bandon Electrical, Gate, Obstruction Removal: \$1,732,500 Federal Funds (Federal Aviation Administration) and \$192,500 Other Funds (aircraft registration fees) was approved to conduct renovations at the Bandon State Airport. This project includes removing trees on both ends of the runway that have encroached upon the approach slope, replacing the precision approach indicators and the medium intensity runway lights, and installing a vehicle automated gate for safety.

Chiloquin Taxi and Fencing: \$990,000 Federal Funds (Federal Aviation Administration) and \$110,000 Other Funds (aircraft registration fees) was approved to conduct rehabilitation at the Chiloquin State Airport. This project includes rehabilitation of the taxiway and installation of a complete perimeter fence, which are needed to meet federal standards for safe operating conditions.

Lebanon Taxi and Apron Rehabilitation: \$990,000 Federal Funds (Federal Aviation Administration) and \$110,000 Other Funds (aircraft registration fees) was approved to conduct rehabilitation at the Lebanon State Airport. This project includes rehabilitation of the taxiway and apron, which are needed to meet federal standards for safe operating conditions.

McDermitt State Airport Runway and Taxi: \$1,080,000 Federal Funds (Federal Aviation Administration) and \$120,000 Other Funds (aircraft registration fees) was approved to conduct rehabilitation at the McDermitt State Airport. This project includes rehabilitating the runway and replacing lighting and the beacon tower, which are needed to meet federal standards for safe operating conditions. The project also includes pavement work for the taxiways, apron, and the safety area, as well as adding an edge drain system and new lighted signs.

## **Department of Corrections**

Capital Improvements and Renewal: \$26,293,534 Other Funds (Article XI-Q bonds) was approved to make improvements in several facilities including roofs, HVAC, surveillance, and infrastructure improvements to address needs identified in the Facility Condition Assessment completed on the department's facilities.

Technology Infrastructure: \$12,200,000 Other Funds (Article XI-Q bonds) was approved for the VoIP Telephony Upgrade and Install project to upgrade and install technology infrastructure that will support a voice-over-internet protocol telephone system.

## **Department of Education**

Oregon School for the Deaf Facility Improvements: \$4,297,558 Other Funds (Article XI-Q bonds) was approved for capital improvements to the Oregon School for the Deaf facility, which include roof replacements at six campus buildings and ADA compliance to address accessibility of campus restrooms in eight facilities.

## **Department of Fish and Wildlife**

Deferred Maintenance: \$10,000,000 Other Funds (Article XI-Q bonds) was approved to make capital improvements to address deferred maintenance or replacement of multiple facilities, including hatcheries.

## **Department of Forestry**

Toledo Facility Replacement: \$3,832,965 Other Funds (Article XI-Q bonds) was approved to replace the Unit Office Facilities Compound located in Toledo and relocate it to a more centrally located area that will be outside of the mapped tsunami inundation zone, a project which is expected to be part of a larger co-locate project with the Oregon Department of Transportation. Article XI-Q bonds have been approved to finance a portion of this project with \$1,800,000 of bond proceeds in 2017-19.

## **Department of Transportation**

Toledo Maintenance Station, Phase I: \$6,300,000 Other Funds (fee revenue) was approved to fund Phase 1 of the project for a new maintenance station in the Toledo area to replace the Ona Beach maintenance station. Phase 1 includes land acquisition, site preparation, design, and construction of buildings that will be shared by the Oregon Department of Forestry.

## **Department of Veterans' Affairs**

Oregon Veterans' Home Capital Improvements: \$2,450,000 Other Funds (Article XI-Q Bonds) was approved to fund the following two projects: The Dalles Veterans' Home Capital Improvements (\$1,150,000) was approved for construction of a new educational building and daycare building, upgrades to wireless and security infrastructure, and phone system replacement; and Lebanon Veterans' Home Parking Lot (\$1,300,000) was approved to build a new parking lot at the veteran's home in Lebanon.

Roseburg Veterans' Home: \$10,500,000 Other Funds (Article XI-Q Bonds) was approved to build a new Veterans' home in Roseburg.

### **Housing and Community Services Department**

Family Affordable Housing: \$80,000,000 Other Funds (Article XI-Q Bonds) was approved to acquire, construct, remodel, equip, or furnish real property in which the department will take either an ownership or operational interest to provide affordable housing for low-income Oregonians, as well as citizens in historically underserved communities and communities of color. This may include providing zero percent loans to eligible applicants through the Local Innovation and Fast Track (LIFT) Housing Program.

### **Legislative Administration Committee**

Capitol Accessibility, Maintenance, and Safety: \$13,720,642 Other Funds (Article XI-Q bonds) was approved to finance capital improvements to the State Capitol Building.

### **Judicial Department**

Multnomah County Courthouse Furnishings and Equipment: \$8,900,000 Other Funds (Article XI-Q bonds) was approved to acquire equipment and furnishings for the Multnomah County Courthouse.

Oregon Supreme Court Building Renovation: \$6,000,000 Other Funds (Article XI-Q bonds) was approved to renovate the Oregon Supreme Court building, including seismic updates, energy efficiency improvements, and various systems and safety code upgrades.

### **Military Department**

Future Readiness Center Sites: \$1,730,000 Other Funds (Capital Construction Account) was approved for the purchase of two parcels of land necessary to construct two new Readiness Centers as replacements for the Hillsboro and Redmond Armories. One property is located in Washington County and the other is located in Deschutes County.

Grants Pass Armory Service Life Extension: \$3,270,356 Other Funds (Article XI-Q Bonds) was approved for a service life extension project to renovate the facility. The project is for design and construction of additions and alterations to the Grants Pass Armory to bring the building into conformance with current building code. The project will upgrade mechanical, electrical, and plumbing systems; remodel the existing classrooms, administrative space, latrines and showers, equipment storage areas, kitchen, and assembly hall areas; replace failed paving areas; and replace existing site lighting, landscaping, and fencing.

Regional Armory Emergency Enhancement Project: \$8,534,400 Other Funds (Article XI-Q Bonds) was approved for making structural improvements to bring the following three facilities to essential facility standards for seismic events: Coos Bay Armory, Newport Armory, and the Anderson Readiness Center in Salem. The project includes seismic structural upgrades, backup power and water systems, and emergency equipment and fuel storage for the three facilities.

## **Oregon Youth Authority**

Capital Improvements: \$17,168,249 Other Funds (Article XI-Q Bonds) was approved for capital improvements to permanent structures and fixtures to address needs identified by the Facility Condition Assessment completed on the department's facilities.

MacLaren West 7 Cottages Renovation: \$21,177,200 Other Funds (Article XI-Q Bonds) was approved for capital improvements to renovate and remodel seven living units on the west side of the campus at MacLaren Youth Correctional Facility. Article XI-Q bonds have been approved to finance Phase 1 of this project with \$15,177,200 of bond proceeds in 2017-19.

Rogue Valley Facility Improvements: \$10,973,465 Other Funds (Article XI-Q Bonds) was approved for capital improvements to renovate and remodel four living units at the Rogue Valley Youth Correctional Facility. Article XI-Q bonds have been approved to finance Phase 1 of this project with \$6,973,465 of bond proceeds in 2017-19.

## Appendix B

### 2017-19 State Paid Bonds

#### GENERAL FUND

Agency	Type	Amount
<u>Higher Education Coordinating Commission - Community Colleges</u>		
Blue Mountain CC - Facility for Agricultural Resource Management	XI-G	5,115,000
Chemeketa CC - Agricultural Complex	XI-G	6,125,000
Clackamas CC - DeJardin Building Addition	XI-G	8,140,000
Clackamas CC - Student Services and Community Commons	XI-G	8,140,000
Clatsop CC - Marine Science Center Renovation and Expansion	XI-G	8,135,000
Columbia Gorge CC - Middle College Prototype Facility	XI-G	7,400,000
Lane CC - Health Care Village Facility	XI-G	8,140,000
Linn Benton CC - Student Advising and Campus Safety Center	XI-G	7,635,000
Mt. Hood CC - Maywood Park Center	XI-G	8,140,000
Oregon Coast CC - Workforce Education and Resiliency Center	XI-G	8,140,000
Portland CC - Health Technology Building Renovation	XI-G	8,140,000
Rogue CC - Elk Building Science Facility Renovation and Expansion	XI-G	6,125,000
Southwestern Oregon CC - Dellwood Hall Remodel and Expansion	XI-G	2,805,000
Treasure Valley CC - Workforce Vocational Center	XI-G	2,865,000
Umpqua CC - Industrial Technology Building	XI-G	8,140,000
<u>Higher Education Coordinating Commission - Public Universities</u>		
All - Capital Improvement and Renewal	XI-Q	50,620,000
Eastern Oregon University - Loso Hall Renovation	XI-Q	5,575,000
Oregon Institute of Technology - Center for Excellence in Engineering and Technology/Cornett Hall Renovation	XI-G XI-Q	 38,475,000
Oregon Institute of Technology - OMIC Research and Development Facility	XI-Q	3,940,000
Oregon State University - Cascades Expansion Site Reclamation	XI-Q	9,145,000
Oregon State University - Cordley Hall Renovation	XI-Q	15,250,000
Oregon State University - Fairbanks Hall Renovation	XI-Q	11,220,000
Oregon State University - Gilkey Hall Renovation	XI-G	2,050,000
	XI-Q	1,045,000
Oregon State University - Quality Foods and Beverage Center	XI-G	9,100,000
Portland State University - Graduate School of Education Facility	XI-G	36,485,000
	XI-Q	9,145,000
Southern Oregon University - Central Hall Capital Improvements	XI-Q	6,125,000
University of Oregon - Campus for Accelerating Scientific Impact	XI-G	50,620,000

<b>Agency</b>	<b>Type</b>	<b>Amount</b>
Western Oregon University - Information Technology Center Renovation	XI-G	540,000
	XI-Q	5,070,000
Western Oregon University - Oregon Military Building Renovation	XI-G	540,000
	XI-Q	7,335,000
<u>Department of Environmental Quality</u>		
Orphan Sites Clean-Up	XI-H	10,300,000
<u>Oregon Business Development Department</u>		
Seismic Rehabilitation Grant Program - Schools	XI-M	101,180,000
Seismic Rehabilitation Grant Program - Emergency Services Buildings	XI-N	20,430,000
<u>Department of Education</u>		
School Capital Improvement Matching Program	XI-P	100,985,000
<u>Department of Corrections</u>		
Capital Improvements and Renewal	XI-Q	26,770,000
Technology Infrastructure (VoIP Telephony Upgrade and Install)	XI-Q	12,445,000
<u>Department of Education</u>		
Oregon School for the Deaf - Facility Improvements	XI-Q	4,365,000
<u>Department of Fish and Wildlife</u>		
Deferred Maintenance	XI-Q	10,215,000
<u>Department of Forestry</u>		
Toledo Facility Replacement	XI-Q	774,225
<u>Department of Human Services</u>		
ONE Integrated Eligibility and Medicaid Eligibility System	XI-Q	34,045,000
<u>Department of Justice</u>		
Child Support Enforcement Automated System	XI-Q	16,585,000
<u>Department of Revenue</u>		
Core Tax Revenue Systems Replacement	XI-Q	4,855,000
<u>Department of Veterans' Affairs</u>		
Lebanon Veterans' Home Parking Lot	XI-Q	1,345,000
Roseburg Veterans' Home	XI-Q	10,720,000
The Dalles Veterans' Home Capital Improvements	XI-Q	1,195,000

Agency	Type	Amount
<u>Housing and Community Services Department</u>		
Local Innovation and Fast Track (LIFT) Housing Program	XI-Q	81,090,000
<u>Legislative Administration Committee</u>		
Capitol Accessibility, Maintenance, and Safety	XI-Q	13,960,000
<u>Judicial Department</u>		
Lane County Courthouse	XI-Q	5,115,000
Multnomah County Courthouse	XI-Q	102,495,000
Oregon Supreme Court Building Renovation	XI-Q	6,125,000
<u>Military Department</u>		
Grants Pass Armory Service Life Extension	XI-Q	3,330,000
Regional Armory Emergency Enhancement Project	XI-Q	8,675,000
Regional Training Institute	XI-Q	6,630,000
Resiliency Grant Fund	XI-Q	5,070,000
Youth Challenge Armory	XI-Q	5,095,000
<u>Oregon Youth Authority</u>		
Capital Improvements	XI-Q	17,450,000
MacLaren West Cottages Renovation	XI-Q	15,450,000
Rogue Valley Facility Improvements	XI-Q	7,095,000
<u>Department of Forestry</u>		
Elliott State Forest	COPS	100,985,000
<b>General Fund Total</b>		<b>1,102,289,225</b>

## LOTTERY FUNDS

Agency	Type	Amount
<u>Department of Administrative Services</u>		
Cascade AIDS Project - Prism Health	Lottery	1,145,000
City of Independence - Independence Landing	Lottery	1,130,000
City of Spray - Public Safety/Emergency Services Center	Lottery	830,000
City of Woodburn - Woodburn Community Center	Lottery	1,130,000
Eugene Civic Alliance - Sports and Recreation Complex	Lottery	6,640,000
Family Nurturing Center	Lottery	2,225,000
Gresham Rockwood Innovation and Workforce Training Center	Lottery	2,225,000
Klamath County - Klamath Youth Inspiration Program	Lottery	1,130,000
The Dalles Civic Auditorium	Lottery	855,000
YMCA of Marion and Polk Counties - YMCA Facility	Lottery	13,260,000
<u>Department of State Lands</u>		
Portland Harbor Cleanup	Lottery	3,355,000
<u>Department of Transportation</u>		
City of Portland - SW Capitol Highway Improvements	Lottery	2,225,000
Connect Oregon	Lottery	32,970,000
Lane Transit District	Lottery	5,550,000
<u>Housing and Community Services Department</u>		
Affordable Housing Preservation	Lottery	27,830,000
<u>Parks and Recreation Department</u>		
Oregon Main Street Revitalization Grant Program	Lottery	5,605,000
<u>Oregon Business Development Department</u>		
City of Sweet Home - Wastewater Treatment Plant	Lottery	2,225,000
Crescent Sanitary District - Wastewater Treatment Facility	Lottery	3,315,000
Eugene Ballet Company - Midtown Arts Center	Lottery	805,000
Friends of the Oregon Caves and Chateau - Balcony Restoration	Lottery	860,000
Oregon International Port of Coos Bay - Channel Project	Lottery	16,535,000
Oregon Manufacturing Innovation Center Access Roads	Lottery	3,740,000
Port of Brookings Harbor - Dock Repair	Lottery	700,000
Portland Art Museum - Connection Campaign	Lottery	1,130,000
Regional Solutions Projects	Lottery	4,460,000
Special Public Works Fund - Recapitalization	Lottery	22,245,000
Special Public Works Fund - Levee Projects	Lottery	11,200,000

Agency	Type	Amount
<u>Water Resources Department</u>		
City of Carlton - Panther Creek Reservoir	Lottery	2,752,778
City of Carlton - Water Supply Line	Lottery	2,202,222
Santiam Water Control District - Mill Creek Corporate Center	Lottery	1,350,000
Water Conservation, Reuse and Storage Investment Fund	Lottery	1,700,000
Water Supply Development Account	Lottery	16,535,000
<b>Lottery Funds Total</b>		<b>199,860,000</b>



## Appendix C

### Number of Positions and Full-Time Equivalency

	2015-17	2015-17	2017-19	2017-19
	LEG	LEG	LEG	LEG
	APPROVED	APPROVED	ADOPTED	ADOPTED
	Positions	FTE	Positions	FTE
<b>PROGRAM AREA: EDUCATION</b>				
EDUCATION, DEPT OF	555	520.90	551	537.54
HIGHER EDUCATION COORDINATING COMMISSION	143	124.30	124	116.20
CHIEF EDUCATION OFFICE	20	18.25	13	6.40
TEACHER STANDARDS & PRACTICES COMMISSION	27	24.88	27	25.71
<b>EDUCATION TOTAL</b>	<b>745</b>	<b>688.33</b>	<b>715</b>	<b>685.85</b>
<b>PROGRAM AREA: HUMAN SERVICES</b>				
BLIND, COMMISSION FOR THE	56	52.21	68	62.53
HUMAN SERVICES, DEPT OF	8,053	7,902.39	8,349	8,164.07
LONG TERM CARE OMBUDSMAN	25	24.50	25	24.50
OREGON HEALTH AUTHORITY	4,454	4,394.82	4,646	4,591.03
PSYCHIATRIC SECURITY REVIEW BOARD	11	11.00	11	11.00
<b>HUMAN SERVICES TOTAL</b>	<b>12,599</b>	<b>12,384.92</b>	<b>13,099</b>	<b>12,853.13</b>
<b>PROGRAM AREA: PUBLIC SAFETY</b>				
CORRECTIONS, DEPT OF	4,590	4,517.74	4,605	4,572.07
CRIMINAL JUSTICE COMMISSION	11	11.00	14	13.50
DISTRICT ATTORNEYS & THEIR DEPUTIES	36	36.00	36	36.00
JUSTICE, DEPT OF	1,329	1,300.27	1,374	1,348.42
MILITARY DEPARTMENT	451	408.01	477	426.82
PAROLE & POST PRISON SUPERVISION, BOARD OF	28	26.00	28	28.00
PUBLIC SAFETY STANDARDS & TRAINING, DEPT. OF	154	146.91	152	150.05
STATE POLICE, DEPT OF	1,311	1,267.87	1,345	1,321.62
YOUTH AUTHORITY, OREGON	1,022	985.88	1,023	950.68
<b>PUBLIC SAFETY TOTAL</b>	<b>8,932</b>	<b>8,699.68</b>	<b>9,054</b>	<b>8,847.16</b>
<b>PROGRAM AREA: JUDICIAL BRANCH</b>				
JUDICIAL DEPARTMENT	1,921	1,783.83	1,900	1,776.58
JUDICIAL FITNESS AND DISABILITY, COMM. ON	1	0.50	1	0.50
PUBLIC DEFENSE SERVICES COMMISSION	77	76.11	77	76.23
<b>JUDICIAL BRANCH TOTAL</b>	<b>1,999</b>	<b>1,860.44</b>	<b>1,978</b>	<b>1,853.31</b>

	2015-17	2015-17	2017-19	2017-19
	LEG	LEG	LEG	LEG
	APPROVED	APPROVED	ADOPTED	ADOPTED
	Positions	FTE	Positions	FTE
<b>PROGRAM AREA: ECONOMIC AND COMMUNITY DEVELOPMENT</b>				
BUSINESS DEVELOPMENT DEPARTMENT	140	136.32	136	134.50
EMPLOYMENT DEPARTMENT	1,272	1,237.76	1,298	1,239.78
HOUSING AND COMMUNITY SERVICES DEPT	149	135.15	164	152.65
VETERANS' AFFAIRS, DEPT OF	88	87.76	96	95.84
<b>ECONOMIC AND COMMUNITY DEVELOPMENT TOTAL</b>	<b>1,649</b>	<b>1,596.99</b>	<b>1,694</b>	<b>1,622.77</b>
<b>PROGRAM AREA: CONSUMER AND BUSINESS SERVICES</b>				
ACCOUNTANCY, BOARD OF	8	8.00	8	7.50
CHIROPRACTIC EXAMINERS, BOARD OF	6	5.10	6	5.10
CONSTRUCTION CONTRACTORS BOARD	62	62.00	61	61.00
CONSUMER AND BUSINESS SERVICES, DEPT OF	960	952.76	965	957.36
DENTISTRY, BOARD OF	8	8.00	8	8.00
<i>HEALTH RELATED LICENSING BOARDS</i>				
MORTUARY AND CEMETERY BOARD	7	7.00	7	7.00
NATUROPATHIC MEDICINE	3	2.50	3	3.00
OCCUPATIONAL THERAPY LICENSING BOARD	2	1.50	2	1.50
MEDICAL IMAGING	3	3.00	3	3.00
SPEECH PATHOLOGY AND AUDIOLOGY	3	2.50	2	2.00
VETERINARY MEDICAL EXAMINERS BOARD	4	3.50	4	3.75
LABOR AND INDUSTRIES, BUREAU OF	107	103.31	107	104.88
MENTAL HEALTH REGULATORY AGENCY	12	9.00	11	11.23
MEDICAL BOARD, OREGON	39	38.79	40	40.00
NURSING, BOARD OF	48	47.80	49	48.90
PHARMACY, BOARD OF	20	20.00	20	20.00
PUBLIC UTILITY COMMISSION	129	126.60	127	125.76
REAL ESTATE AGENCY	29	29.00	29	29.00
SOCIAL WORKERS, BOARD OF LICENSED	6	6.00	6	6.00
TAX PRACTITIONERS, STATE BOARD OF	4	4.00	3	2.50
<b>CONSUMER AND BUSINESS SERVICES TOTAL</b>	<b>1,460</b>	<b>1,440.36</b>	<b>1,461</b>	<b>1,447.48</b>
<b>PROGRAM AREA: NATURAL RESOURCES</b>				
AGRICULTURE, DEPT OF	527	378.84	489	370.46
ENERGY, DEPT OF	105	104.50	97	93.87
ENVIRONMENTAL QUALITY, DEPT OF	753	730.31	745	723.89
FISH AND WILDLIFE, DEPT OF	1,474	1,199.26	1,375	1,154.05
FORESTRY, DEPARTMENT OF	1,201	878.04	1,181	867.30
GEOLOGY AND MINERAL INDUSTRIES, DEPT OF	45	42.54	43	42.92
LAND CONSERVATION AND DEVELOPMENT, DEPT OF	58	56.57	58	56.90
LAND USE BOARD OF APPEALS	6	6.00	6	6.00
LANDS, DEPT OF STATE	110	109.00	111	109.33
MARINE BOARD	38	38.00	39	39.00
PARKS AND RECREATION, DEPT OF	847	576.26	867	596.05
WATER RESOURCES DEPARTMENT	165	163.25	170	167.59
WATERSHED ENHANCEMENT BOARD	35	34.25	33	33.00
<b>NATURAL RESOURCES TOTAL</b>	<b>5,364</b>	<b>4,316.82</b>	<b>5,214</b>	<b>4,260.36</b>

	2015-17	2015-17	2017-19	2017-19
	LEG	LEG	LEG	LEG
	APPROVED	APPROVED	ADOPTED	ADOPTED
	Positions	FTE	Positions	FTE
<b>PROGRAM AREA: TRANSPORTATION</b>				
AVIATION, DEPT OF	15	13.75	15	14.25
TRANSPORTATION, DEPT OF	4,510	4,400.89	4,536	4,425.34
<b>TRANSPORTATION TOTAL</b>	<b>4,525</b>	<b>4,414.64</b>	<b>4,551</b>	<b>4,439.59</b>
<b>PROGRAM AREA: ADMINISTRATION</b>				
ADMINISTRATIVE SERVICES, DEPT OF	864	840.32	908	903.38
ADVOCACY COMMISSIONS OFFICE	3	2.50	3	2.50
EMPLOYMENT RELATIONS BOARD	13	13.00	13	13.00
GOVERNMENT ETHICS COMMISSION	9	8.88	9	9.00
GOVERNOR, OFFICE OF	63	61.67	59	58.50
LIBRARY, STATE	42	40.26	42	40.04
LIQUOR CONTROL COMMISSION	268	255.33	304	298.82
PUBLIC EMPLOYEES RETIREMENT SYSTEM	380	380.00	373	372.29
RACING COMMISSION	14	12.27	14	12.27
REVENUE, DEPT OF	1,092	1,025.49	1,007	933.85
SECRETARY OF STATE	213	210.96	213	212.77
TREASURER OF STATE	123	117.45	160	150.09
<b>ADMINISTRATION TOTAL</b>	<b>3,084</b>	<b>2,968.13</b>	<b>3,105</b>	<b>3,006.51</b>
<b>PROGRAM AREA: LEGISLATIVE BRANCH</b>				
INDIAN SERVICES, COMM	2	2.00	2	2.00
LEGISLATIVE ADMINISTRATION	142	100.65	86	72.16
LEGISLATIVE ASSEMBLY	423	251.52	423	251.52
LEGISLATIVE COUNSEL	57	47.60	58	50.84
LEGISLATIVE FISCAL OFFICER	22	22.00	22	22.00
LEGISLATIVE POLICY AND RESEARCH OFFICE	0	0.00	61	41.29
LEGISLATIVE REVENUE OFFICER	8	8.00	8	8.00
<b>LEGISLATIVE BRANCH TOTAL</b>	<b>654</b>	<b>431.77</b>	<b>660</b>	<b>447.81</b>
<b>STATE OF OREGON TOTAL POSITIONS/FTE</b>	<b>41,011</b>	<b>38,802.08</b>	<b>41,531</b>	<b>39,463.97</b>



## Appendix D

### Program Area Budget Totals

2017-19 Legislatively Adopted Budget by Program Area and Fund Source						
Program Area	General Fund	Lottery Funds	GF&LF Total	Other Funds	Federal Funds	All Funds
State School Fund	7,653,853,380	464,758,594	8,118,611,974	85,248,393	0	8,203,860,367
Education - Post Secondary	1,954,059,623	96,567,082	2,050,626,705	721,533,625	137,631,989	2,909,792,319
Education - Other	826,304,114	651,225	826,955,339	569,253,175	1,441,151,959	2,837,360,473
Human Services - Oregon Health Authority	2,185,935,679	12,457,116	2,198,392,795	6,693,688,309	11,019,931,982	19,912,013,086
Human Services - Dept. of Human Services	3,109,000,548	0	3,109,000,548	598,001,557	7,677,432,936	11,384,435,041
Human Services - Other	12,480,866	0	12,480,866	2,371,523	16,372,609	31,224,998
Public Safety	2,464,129,991	8,069,250	2,472,199,241	765,091,503	520,804,376	3,758,095,120
Judicial Branch	743,333,133	0	743,333,133	267,524,594	1,339,352	1,012,197,079
Natural Resources	220,982,270	202,517,744	423,500,014	1,312,223,099	296,553,290	2,032,276,403
Economic Development	117,914,820	147,188,776	265,103,596	3,606,785,232	511,003,090	4,382,891,918
Consumer and Business Services	13,119,229	0	13,119,229	643,232,126	16,439,730	672,791,085
Transportation	23,456,104	114,604,964	138,061,068	3,685,173,440	136,582,566	3,959,817,074
Administration	242,439,206	23,812,067	266,251,273	12,696,539,090	16,904,414	12,979,694,777
Legislative Branch	110,315,599	0	110,315,599	24,231,783	0	134,547,382
Miscellaneous (Emergency Fund)	178,822,118	0	178,822,118	0	0	178,822,118
<b>Total</b>	<b>19,856,146,680</b>	<b>1,070,626,818</b>	<b>20,926,773,498</b>	<b>31,670,897,449</b>	<b>21,792,148,293</b>	<b>74,389,819,240</b>



## Appendix E

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### Summary of Expenditures

**Notes:**

- Special purpose appropriations to the Emergency Board that were allocated to specific agencies are included within the agency General Fund budgets for the 2015-17 legislatively approved column. Special purpose appropriations for specific agencies are not included within the agency General Fund budgets for the 2017-19 legislatively adopted amounts, but are included in the legislatively adopted amount appropriated to the Emergency Board and will be displayed under the Emergency Board until allocated to the specific agency.
- The 2015-17 legislatively approved amounts represent expenditure authorizations through all 2015-17 Emergency Board actions and all 2015-17 budget adjustments addressed during the 2017 legislative session. The 2015-17 legislatively approved budget also includes certain administrative actions taken by the Department of Administrative Services approving increases to Nonlimited Other Funds and Federal Funds.
- The 2017-19 legislatively adopted budget reflects veto actions taken by the Governor in August 2017.

		<b>2013-15</b>		<b>2015-17</b>		<b>2017-19</b>		<b>2017-19</b>
		<b>Actuals</b>		<b>Legislatively</b>		<b>Current</b>		<b>Legislatively</b>
				<b>Approved</b>		<b>Service Level</b>		<b>Adopted</b>
		\$		\$		\$		\$
<b>EDUCATION</b>								
<b>Higher Education Coordinating Commission</b>								
	General Fund	22,259,231		36,407,725		31,389,124		31,611,113
	Other Funds	29,329,484		31,615,691		27,530,024		34,277,137
	Other Funds Nonlimited	200,000		206,000		206,000		206,000
	Federal Funds	107,788,824		111,932,844		114,694,286		114,075,784
	Federal Funds Nonlimited	18,968,831		18,968,831		18,968,831		18,968,831
	<b>Total Expenditures</b>	<b>178,546,370</b>		<b>199,131,091</b>		<b>192,788,265</b>		<b>199,138,865</b>
<b>State Support for Public Universities</b>								
	General Fund	738,772,154		943,190,004		1,018,009,031		1,057,495,453
	Lottery Funds	33,571,489		40,127,710		44,233,875		64,121,610
	Other Funds	-		322,671,360		-		331,725,000
	Other Funds Nonlimited	-		545,735,949		208,941,256		212,840,781
	Federal Funds Nonlimited	-		630,001		4,587,374		4,587,374
	<b>Total Expenditures</b>	<b>772,343,643</b>		<b>1,852,355,024</b>		<b>1,275,771,536</b>		<b>1,670,770,218</b>
<b>State Support for Community Colleges</b>								
	General Fund	483,425,453		601,771,949		621,634,342		640,683,334
	Lottery Funds	9,521,027		10,462,066		11,733,159		11,699,204
	Other Funds	109,013,959		30,438,637		45,810		103,493,051
	Other Funds Nonlimited	42,346,031		33,357,952		-		-
	Federal Funds Nonlimited	1		1		-		-
	<b>Total Expenditures</b>	<b>644,306,471</b>		<b>676,030,605</b>		<b>633,413,311</b>		<b>755,875,589</b>
<b>State Support for Oregon Health and Science University (OHSU)</b>								
	General Fund	72,562,387		80,856,311		102,324,188		99,052,202
	Lottery Funds	-		-		-		-
	Other Funds	231,675,116		238,724,306		38,828,443		38,828,443
	<b>Total Expenditures</b>	<b>304,237,503</b>		<b>319,580,617</b>		<b>141,152,631</b>		<b>137,880,645</b>
<b>Oregon Opportunity Grant Program</b>								
	General Fund	111,206,740		131,008,621		125,217,521		125,217,521
	Lottery Funds	2,546,223		11,816,379		20,746,268		20,746,268
	Other Funds	158,459		1,213,213		163,213		163,213
	<b>Total Expenditures</b>	<b>113,911,422</b>		<b>144,038,213</b>		<b>146,127,002</b>		<b>146,127,002</b>
<b>Education, Dept of</b>								
	General Fund	450,315,281		580,091,439		639,530,189		820,951,302
	Lottery Funds	42,371,073		1,434,927		651,225		651,225
	Other Funds	113,581,297		277,236,218		194,841,138		441,326,984
	Other Funds Nonlimited	107,265,246		140,283,701		112,916,253		118,964,721
	Federal Funds	880,475,218		1,038,273,686		1,058,609,260		1,053,144,232
	Federal Funds Nonlimited	372,416,650		409,007,727		388,007,727		388,007,727
	<b>Total Expenditures</b>	<b>1,966,424,765</b>		<b>2,446,327,698</b>		<b>2,394,555,792</b>		<b>2,823,046,191</b>

		<b>2013-15</b>		<b>2015-17</b>		<b>2017-19</b>		<b>2017-19</b>
		<b>Actuals</b>		<b>Legislatively</b>		<b>Current</b>		<b>Legislatively</b>
				<b>Approved</b>		<b>Service Level</b>		<b>Adopted</b>
		\$		\$		\$		\$
<b>State School Fund</b>								
	General Fund	6,322,625,891		6,925,296,093		7,543,537,881		7,653,853,380
	Lottery Funds	327,374,109		447,703,907		469,087,606		464,758,594
	Other Funds	400,826		3,260,692		3,260,692		85,248,393
	Federal Funds			-				
	<b>Total Expenditures</b>	<b>6,650,400,826</b>		<b>7,376,260,692</b>		<b>8,015,886,179</b>		<b>8,203,860,367</b>
<b>Chief Education Office*</b>								
	General Fund	20,421,275		13,360,803		9,982,404		3,652,812
<b>Teacher Standards &amp; Practices Comm</b>								
	General Fund	-		200,000		-		1,700,000
	Other Funds	4,943,382		6,874,833		6,654,885		8,961,470
	Federal Funds	10,893		-		-		-
	<b>Total Expenditures</b>	<b>4,954,275</b>		<b>7,074,833</b>		<b>6,654,885</b>		<b>10,661,470</b>
<b>EDUCATION PROGRAM AREA TOTAL</b>								
	General Fund	8,221,588,412		9,312,182,945		10,091,624,680		10,434,217,117
	Lottery Funds	415,383,921		511,544,989		546,452,133		561,976,901
	Other Funds	489,102,523		912,034,950		271,324,205		1,044,023,691
	Other Funds Nonlimited	149,811,277		719,583,602		322,063,509		332,011,502
	Federal Funds	988,274,935		1,150,206,530		1,173,303,546		1,167,220,016
	Federal Funds Nonlimited	391,385,482		428,606,560		411,563,932		411,563,932
	<b>Total</b>	<b>10,655,546,550</b>		<b>13,034,159,576</b>		<b>12,816,332,005</b>		<b>13,951,013,159</b>
* Previously known as the Oregon Education Investment Board								

	2013-15 Actuals	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 Legislatively Adopted
	\$	\$	\$	\$
<b>HUMAN SERVICES</b>				
<b>Blind, Commission for the</b>				
General Fund	1,582,598	3,693,316	3,602,734	3,426,922
Other Funds	1,667,196	1,183,547	1,020,372	1,475,033
Federal Funds	12,683,970	15,836,905	14,802,388	16,372,609
Total Expenditures	15,933,764	20,713,768	19,425,494	21,274,564
<b>Health Authority, Oregon</b>				
General Fund	1,933,379,158	2,158,369,827	3,190,659,426	2,185,935,679
Lottery Funds	10,591,632	11,348,753	12,456,604	12,457,116
Other Funds	3,885,646,674	6,138,031,417	5,733,331,142	6,653,688,309
Other Funds Nonlimited	1,521,434,616	273,000,902	40,000,000	40,000,000
Federal Funds	9,259,417,064	11,448,264,704	11,613,394,315	10,913,483,621
Federal Funds Nonlimited	101,837,124	106,853,023	106,448,361	106,448,361
Total Expenditures	16,712,306,268	20,135,868,626	20,696,289,848	19,912,013,086
<b>Human Services, Department of</b>				
General Fund	2,326,345,063	2,727,212,617	3,275,092,200	3,109,000,548
Other Funds	472,081,293	539,710,476	546,806,345	598,001,557
Federal Funds	3,844,676,602	4,805,209,969	5,279,895,699	5,463,087,605
Federal Funds Nonlimited	2,363,243,469	2,514,345,331	2,214,345,331	2,214,345,331
Total Expenditures	9,006,346,427	10,586,478,393	11,316,139,575	11,384,435,041
<b>Long Term Care Ombudsman</b>				
General Fund	2,510,888	6,306,755	6,960,132	6,087,623
Other Funds	670,166	737,916	779,795	894,242
Total Expenditures	3,181,054	7,044,671	7,739,927	6,981,865
<b>Psychiatric Security Review Board</b>				
General Fund	2,166,128	2,690,702	2,999,554	2,966,321
Other Funds	82,466	6,168	2,248	2,248
Total Expenditures	2,248,594	2,696,870	3,001,802	2,968,569
<b>HUMAN SERVICES PROGRAM AREA</b>				
General Fund	4,265,983,835	4,898,273,217	6,479,314,046	5,307,417,093
Lottery Funds	10,591,632	11,348,753	12,456,604	12,457,116
Other Funds	4,360,147,795	6,679,669,524	6,281,939,902	7,254,061,389
Other Funds Nonlimited	1,521,434,616	273,000,902	40,000,000	40,000,000
Federal Funds	13,116,777,636	16,269,311,578	16,908,092,402	16,392,943,835
Federal Funds Nonlimited	2,465,080,593	2,621,198,354	2,320,793,692	2,320,793,692
Total	25,740,016,107	30,752,802,328	32,042,596,646	31,327,673,125

	2013-15 Actuals	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 Legislatively Adopted
	\$	\$	\$	\$
<b>PUBLIC SAFETY</b>				
<b>Corrections, Dept of</b>				
General Fund	1,480,524,545	1,611,218,502	1,720,378,672	1,681,063,918
Other Funds	34,008,579	55,961,188	41,597,467	81,738,081
Other Funds Nonlimited	5,558,579	27,167,985	-	-
Federal Funds	7,087,555	5,710,107	4,363,309	4,352,986
Federal Funds Nonlimited	1,206,842	1,119,495	1,038,513	1,038,513
Total Expenditures	1,528,386,100	1,701,177,277	1,767,377,961	1,768,193,498
<b>Criminal Justice Commission</b>				
General Fund	23,421,910	55,132,449	57,382,338	64,926,239
Other Funds	862,857	864,042	512,529	511,392
Federal Funds	7,606,902	7,812,627	7,173,704	7,170,201
Total Expenditures	31,891,669	63,809,118	65,068,571	72,607,832
<b>District Attorneys and Their Deputies</b>				
General Fund	10,916,597	12,047,411	12,502,083	12,478,724
<b>Justice, Dept of</b>				
General Fund	63,337,324	78,490,126	94,668,945	84,653,042
Other Funds	246,176,176	309,294,564	293,923,290	321,296,607
Other Funds Nonlimited	3,469,160	5,170,012	5,077,143	-
Federal Funds	110,148,006	168,304,853	122,484,387	179,004,039
Federal Funds Nonlimited	15,170,224	15,740,252	16,322,641	-
Total Expenditures	438,300,890	576,999,807	532,476,406	584,953,688
<b>Military Department</b>				
General Fund	21,821,936	25,558,014	26,930,695	25,608,114
Other Funds	102,454,814	125,943,093	101,022,153	120,386,657
Other Funds Nonlimited	75,953	60,624	-	-
Federal Funds	151,411,508	284,615,518	261,708,475	271,814,624
Total Expenditures	275,764,211	436,177,249	389,661,323	417,809,395
<b>Oregon Youth Authority</b>				
General Fund	267,119,142	297,695,975	329,961,808	307,443,048
Other Funds	12,165,807	63,399,605	14,321,252	60,916,760
Federal Funds	27,977,990	36,324,177	49,935,912	37,166,220
Federal Funds Nonlimited	-	1	-	-
Total Expenditures	307,262,939	397,419,758	394,218,972	405,526,028
<b>Parole &amp; Post Prison Supervision, Bd. of</b>				
General Fund	4,451,421	8,044,741	8,691,974	8,868,686
Other Funds	835	10,852	11,254	11,254
Total Expenditures	4,452,256	8,055,593	8,703,228	8,879,940

		<b>2013-15</b>		<b>2015-17</b>		<b>2017-19</b>		<b>2017-19</b>
		<b>Actuals</b>		<b>Legislatively</b>		<b>Current</b>		<b>Legislatively</b>
				<b>Approved</b>		<b>Service Level</b>		<b>Adopted</b>
		\$		\$		\$		\$
<b>Police, Dept of State</b>								
	General Fund	240,373,065		282,360,406		302,306,358		269,292,257
	Lottery Funds	6,734,971		8,018,000		8,320,015		8,069,250
	Other Funds	91,342,128		110,242,484		100,425,032		136,707,491
	Federal Funds	5,456,068		9,781,945		10,198,867		12,249,830
	<b>Total Expenditures</b>	<b>343,906,232</b>		<b>410,402,835</b>		<b>421,250,272</b>		<b>426,318,828</b>
<b>Public Safety Standards &amp; Training, Dept of</b>								
	General Fund	9,778,922		10,146,476		9,795,963		9,795,963
	Other Funds	33,587,100		44,986,840		44,545,374		43,523,261
	Other Funds Nonlimited	415,460		-		-		-
	Federal Funds	331,601		7,056,759		6,793,065		8,007,963
	<b>Total Expenditures</b>	<b>44,113,083</b>		<b>62,190,075</b>		<b>61,134,402</b>		<b>61,327,187</b>
<b>PUBLIC SAFETY PROGRAM AREA</b>								
	General Fund	2,121,744,862		2,380,694,100		2,562,618,836		2,464,129,991
	Lottery Funds	6,734,971		8,018,000		8,320,015		8,069,250
	Other Funds	520,598,296		710,702,668		596,358,351		765,091,503
	Other Funds Nonlimited	9,519,152		32,398,621		5,077,143		-
	Federal Funds	310,019,630		519,605,986		462,657,719		519,765,863
	Federal Funds Nonlimited	16,377,066		16,859,748		17,361,154		1,038,513
	<b>Total</b>	<b>2,984,993,977</b>		<b>3,668,279,123</b>		<b>3,652,393,218</b>		<b>3,758,095,120</b>

	2013-15 Actuals	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 Legislatively Adopted
	\$	\$	\$	\$
<b>JUDICIAL BRANCH</b>				
<b>Judicial Department</b>				
General Fund	399,796,975	435,813,157	462,795,769	443,103,853
Other Funds	62,635,761	147,988,947	42,763,179	262,570,281
Federal Funds	1,067,674	1,606,769	1,339,352	1,339,352
Total Expenditures	463,500,410	585,408,873	506,898,300	707,013,486
<b>Judicial Fitness, Commission on</b>				
General Fund	196,415	440,898	254,889	245,362
<b>Public Defense Services Commission</b>				
General Fund	250,508,919	288,528,938	301,366,459	299,983,918
Other Funds	3,564,624	3,846,904	4,109,950	4,954,313
Total Expenditures	254,073,543	292,375,842	305,476,409	304,938,231
<b>JUDICIAL BRANCH PROGRAM AREA</b>				
General Fund	650,502,309	724,782,993	764,417,117	743,333,133
Other Funds	66,200,385	151,835,851	46,873,129	267,524,594
Federal Funds	1,067,674	1,606,769	1,339,352	1,339,352
Total	717,770,368	878,225,613	812,629,598	1,012,197,079

	2013-15 Actuals	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 Legislatively Adopted
	\$	\$	\$	\$
<b>ECONOMIC AND COMMUNITY DEVELOPMENT</b>				
<b>Business Development Department</b>				
General Fund	8,247,488	15,796,523	48,336,099	55,096,211
Lottery Funds	111,766,523	110,444,853	117,298,708	115,975,469
Other Funds	34,855,259	301,349,232	225,742,435	378,417,137
Other Funds Nonlimited	121,639,577	237,893,149	207,886,281	237,886,281
Federal Funds	29,226,631	40,523,014	40,730,835	40,717,603
<b>Total Expenditures</b>	<b>305,735,478</b>	<b>706,006,771</b>	<b>639,994,358</b>	<b>828,092,701</b>
<b>Employment Department</b>				
General Fund	-	6,133,655	6,252,676	-
Other Funds	109,710,655	146,303,204	146,868,691	144,544,337
Other Funds Nonlimited	1,192,147,204	1,520,105,053	1,424,000,000	1,424,000,000
Federal Funds	155,199,849	162,865,912	156,502,819	155,927,081
Federal Funds Nonlimited	241,841,739	94,832,000	70,000,000	70,000,000
<b>Total Expenditures</b>	<b>1,698,899,447</b>	<b>1,930,239,824</b>	<b>1,803,624,186</b>	<b>1,794,471,418</b>
<b>Housing &amp; Community Services Dept</b>				
General Fund	20,355,205	28,591,263	20,099,493	54,438,010
Lottery Funds	9,413,639	11,676,469	16,232,416	16,357,282
Other Funds	116,634,380	224,757,497	166,273,550	289,274,996
Other Funds Nonlimited	689,623,347	784,502,128	631,849,381	631,849,381
Federal Funds	112,299,387	120,118,294	122,847,675	122,692,797
Federal Funds Nonlimited	110,118,920	119,320,000	121,165,609	121,165,609
<b>Total Expenditures</b>	<b>1,058,444,878</b>	<b>1,288,965,651</b>	<b>1,078,468,124</b>	<b>1,235,778,075</b>
<b>Veterans' Affairs, Department of</b>				
General Fund	9,678,902	13,007,966	11,066,613	8,380,599
Lottery Funds	-	-	-	14,856,025
Other Funds	45,304,442	85,405,620	86,784,284	113,266,941
Other Funds Nonlimited	186,154,228	373,333,710	387,546,159	387,546,159
Federal Funds	40,000	4,452,891	-	500,000
<b>Total Expenditures</b>	<b>241,177,572</b>	<b>476,200,187</b>	<b>485,397,056</b>	<b>524,549,724</b>
<b>ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM AREA</b>				
General Fund	38,281,595	63,529,407	85,754,881	117,914,820
Lottery Funds	121,180,162	122,121,322	133,531,124	147,188,776
Other Funds	306,504,736	757,815,553	625,668,960	925,503,411
Other Funds Nonlimited	2,189,564,356	2,915,834,040	2,651,281,821	2,681,281,821
Federal Funds	296,765,867	327,960,111	320,081,329	319,837,481
Federal Funds Nonlimited	351,960,659	214,152,000	191,165,609	191,165,609
<b>Total</b>	<b>3,304,257,375</b>	<b>4,401,412,433</b>	<b>4,007,483,724</b>	<b>4,382,891,918</b>

	2013-15 Actuals	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 Legislatively Adopted
	\$	\$	\$	\$
<b>CONSUMER AND BUSINESS SERVICES</b>				
<b>Accountancy, Board of</b>				
Other Funds	2,296,152	2,508,591	2,642,281	2,583,982
<b>Chiropractic Examiners, Board of</b>				
Other Funds	1,459,441	1,932,928	2,065,164	2,014,079
<b>Licensed Social Workers, Board of</b>				
Other Funds	1,248,425	1,502,105	1,667,617	1,697,440
<b>Construction Contractors Board</b>				
Other Funds	12,949,609	15,069,970	16,327,641	15,859,876
<b>Consumer and Business Services, Dept of</b>				
General Fund	-	1,823,000	-	-
Other Funds	192,183,248	249,320,936	258,879,476	246,276,380
Other Funds Nonlimited	188,939,459	197,991,474	202,096,657	202,096,657
Federal Funds	3,063,362	17,420,257	14,941,294	14,466,034
Total Expenditures	384,186,069	466,555,667	475,917,427	462,839,071
<b>Dentistry, Board of</b>				
Other Funds	2,650,838	3,045,511	3,302,643	3,277,010
<b>Health Related Licensing Boards:</b>				
<b>Mortuary and Cemetery Board</b>				
Other Funds	1,417,530	2,118,785	2,133,838	2,152,200
<b>Naturopathic Examiners</b>				
Other Funds	641,218	733,930	751,080	799,923
<b>Occupational Therapy Licensing Bd</b>				
Other Funds	366,776	474,187	509,134	483,425
<b>Medical Imaging</b>				
Other Funds	765,176	943,917	972,343	886,265
<b>Speech-Language Path. and Audio.</b>				
Other Funds	543,636	680,390	717,500	615,945
<b>Veterinary Medical Examiners Bd</b>				
Other Funds	686,186	929,442	965,727	973,220
<b>Health Related Licensing Boards Total</b>				
Other Funds	4,420,522	5,880,651	6,049,622	5,910,978

		<b>2013-15</b>	<b>2015-17</b>	<b>2017-19</b>	<b>2017-19</b>
		<b>Actuals</b>	<b>Legislatively</b>	<b>Current</b>	<b>Legislatively</b>
			<b>Approved</b>	<b>Service Level</b>	<b>Adopted</b>
		\$	\$	\$	\$
<b>Labor &amp; Industries, Bureau of</b>					
	General Fund	11,279,003	12,908,494	13,660,976	13,119,229
	Other Funds	9,331,143	11,628,973	12,885,753	12,162,061
	Other Funds Nonlimited	975,996	1,236,000	1,281,732	1,281,732
	Federal Funds	1,462,377	1,541,210	1,259,556	1,258,596
	<b>Total Expenditures</b>	<b>23,048,519</b>	<b>27,314,677</b>	<b>29,088,017</b>	<b>27,821,618</b>
<b>Mental Health Regulatory Agency*</b>					
	Other Funds	2,041,873	2,950,769	2,741,358	3,462,553
<b>Medical Board, Oregon</b>					
	Other Funds	9,777,175	11,614,923	12,534,486	12,595,547
<b>Nursing, Board of</b>					
	Other Funds	13,507,035	15,829,482	16,504,867	16,595,386
<b>Pharmacy, Board of</b>					
	Other Funds	5,599,379	7,061,708	7,163,478	7,335,399
<b>Public Utility Commission</b>					
	Other Funds	37,395,874	45,634,617	48,094,159	45,128,415
	Other Funds Nonlimited	80,665,904	69,279,866	56,290,822	56,290,822
	Federal Funds	2,345,176	727,796	721,958	715,100
	<b>Total Expenditures</b>	<b>120,406,954</b>	<b>115,642,279</b>	<b>105,106,939</b>	<b>102,134,337</b>
<b>Real Estate Agency</b>					
	Other Funds	6,587,706	7,166,423	7,898,615	7,621,789
<b>Tax Practitioners, Board of</b>					
	Other Funds	1,088,661	1,261,884	1,329,314	1,042,020
<b>CONSUMER AND BUSINESS SERVICES PROGRAM AREA</b>					
	General Fund	11,279,003	14,731,494	13,660,976	13,119,229
	Other Funds	302,537,081	382,409,471	400,086,474	383,562,915
	Other Funds Nonlimited	270,581,359	268,507,340	259,669,211	259,669,211
	Federal Funds	6,870,915	19,689,263	16,922,808	16,439,730
	<b>Total</b>	<b>591,268,358</b>	<b>685,337,568</b>	<b>690,339,469</b>	<b>672,791,085</b>
* HB 2319 (2017) combined the Board of Licensed Professional Counselors and Therapists and the Board of Psychologist Examiners into the Mental Health Regulatory Agency					

	2013-15 Actuals	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 Legislatively Adopted
	\$	\$	\$	\$
<b>NATURAL RESOURCES</b>				
<b>Agriculture, Department of</b>				
General Fund	19,433,285	24,630,128	25,777,408	22,307,042
Lottery Funds	6,368,044	7,599,344	7,072,247	8,103,745
Other Funds	49,871,107	62,541,500	65,835,111	66,605,463
Federal Funds	10,334,960	17,630,167	15,958,792	17,452,844
Total Expenditures	86,007,396	112,401,139	114,643,558	114,469,094
<b>Columbia River Gorge Commission</b>				
General Fund	884,527	920,291	962,919	992,000
<b>Energy, Department of</b>				
Lottery Funds	2,166,048	2,980,496	3,023,630	3,023,630
Other Funds	33,214,314	35,104,816	35,412,377	35,206,624
Other Funds Nonlimited	83,385,513	212,753,963	119,282,861	119,282,861
Federal Funds	2,553,392	3,187,299	3,153,122	2,412,636
Federal Funds Nonlimited	-	104,000	104,000	104,000
Total Expenditures	121,319,267	254,130,574	160,975,990	160,029,751
<b>Environmental Quality, Department of</b>				
General Fund	30,960,731	38,164,101	39,963,680	44,629,011
Lottery Funds	3,873,253	4,084,177	4,187,950	4,610,577
Other Funds	120,390,027	153,167,568	160,645,627	169,639,110
Other Funds Nonlimited	104,790,547	131,264,767	91,216,687	131,686,687
Federal Funds	24,266,508	29,567,515	31,043,806	28,593,914
Total Expenditures	284,281,066	356,248,128	327,057,750	379,159,299
<b>Fish &amp; Wildlife, Department of</b>				
General Fund	17,165,916	31,162,079	30,974,904	28,408,880
Lottery Funds	4,921,717	4,917,581	5,189,892	5,212,514
Other Funds	157,781,817	180,436,355	181,617,419	191,354,898
Federal Funds	110,892,069	142,766,627	144,836,135	133,139,592
Total Expenditures	290,761,519	359,282,642	362,618,350	358,115,884
<b>Forestry, Department of</b>				
General Fund	118,966,690	102,150,421	69,716,672	68,242,727
Lottery Funds	5,130,718	7,554,096	2,606,595	2,601,001
Other Funds	282,455,808	297,854,801	242,283,417	340,602,781
Other Funds Nonlimited	10,473,812	1,731,484	-	-
Federal Funds	14,096,634	35,066,180	33,515,674	33,657,195
Total Expenditures	431,123,662	444,356,982	348,122,358	445,103,704

		<b>2013-15</b>	<b>2015-17</b>	<b>2017-19</b>	<b>2017-19</b>
		<b>Actuals</b>	<b>Legislatively</b>	<b>Current</b>	<b>Legislatively</b>
			<b>Approved</b>	<b>Service Level</b>	<b>Adopted</b>
		\$	\$	\$	\$
<b>Geology &amp; Mineral Industries, Dept of</b>					
	General Fund	4,040,945	4,806,968	3,665,822	4,631,168
	Other Funds	7,732,500	6,278,059	6,447,304	6,787,859
	Other Funds Nonlimited	-	-	-	-
	Federal Funds	4,370,000	6,947,079	5,047,592	5,937,915
	<b>Total Expenditures</b>	<b>16,143,445</b>	<b>18,032,106</b>	<b>15,160,718</b>	<b>17,356,942</b>
<b>Land Conservation &amp; Development, Dept of</b>					
	General Fund	12,198,336	13,593,528	13,507,085	12,951,689
	Other Funds	561,866	725,419	561,874	1,734,829
	Federal Funds	5,247,072	6,396,794	6,629,806	6,421,857
	<b>Total Expenditures</b>	<b>18,007,274</b>	<b>20,715,741</b>	<b>20,698,765</b>	<b>21,108,375</b>
<b>Land Use Board of Appeals</b>					
	General Fund	1,573,758	1,846,330	1,926,784	1,927,050
	Other Funds	30,252	28,641	29,700	33,700
	<b>Total Expenditures</b>	<b>1,604,010</b>	<b>1,874,971</b>	<b>1,956,484</b>	<b>1,960,750</b>
<b>State Lands, Department of</b>					
	General Fund	-	346,082	-	5,000,000
	Other Funds	28,187,651	41,925,846	29,340,595	47,925,059
	Other Funds Nonlimited	11,594,220	13,334,249	10,234,249	10,234,249
	Federal Funds	2,475,172	2,396,484	1,723,318	2,261,458
	<b>Total Expenditures</b>	<b>42,257,043</b>	<b>58,002,661</b>	<b>41,298,162</b>	<b>65,420,766</b>
<b>Marine Board</b>					
	Other Funds	24,438,979	26,508,351	27,578,318	26,923,945
	Federal Funds	5,711,179	7,467,774	6,632,414	6,631,041
	<b>Total Expenditures</b>	<b>30,150,158</b>	<b>33,976,125</b>	<b>34,210,732</b>	<b>33,554,986</b>
<b>Parks &amp; Recreation Department</b>					
	General Fund	979,999	-	-	218,894
	Lottery Funds	79,666,375	83,259,675	99,719,970	100,597,217
	Other Funds	99,602,710	111,939,526	91,628,295	99,889,179
	Federal Funds	9,358,198	12,874,261	9,871,343	16,389,923
	<b>Total Expenditures</b>	<b>189,607,282</b>	<b>208,073,462</b>	<b>201,219,608</b>	<b>217,095,213</b>
<b>Water Resources Department</b>					
	General Fund	27,202,391	31,220,037	32,932,622	31,483,809
	Lottery Funds	571,605	2,511,482	6,032,844	3,953,969
	Other Funds	7,700,475	74,257,142	41,237,275	61,306,369
	Other Funds Nonlimited	2,296,497	-	-	-
	Federal Funds	641,182	1,312,338	1,323,257	1,879,534
	<b>Total Expenditures</b>	<b>38,412,150</b>	<b>109,300,999</b>	<b>81,525,998</b>	<b>98,623,681</b>

		<b>2013-15</b>		<b>2015-17</b>		<b>2017-19</b>		<b>2017-19</b>
		<b>Actuals</b>		<b>Legislatively</b>		<b>Current</b>		<b>Legislatively</b>
				<b>Approved</b>		<b>Service Level</b>		<b>Adopted</b>
		\$		\$		\$		\$
<b>Oregon Watershed Enhancement Board</b>								
	General Fund	-		-		-		190,000
	Lottery Funds	57,997,623		62,490,496		66,920,000		74,415,091
	Other Funds	1,075,106		3,618,093		1,609,486		3,009,486
	Federal Funds	23,075,625		37,274,113		25,924,237		41,671,381
	<b>Total Expenditures</b>	<b>82,148,354</b>		<b>103,382,702</b>		<b>94,453,723</b>		<b>119,285,958</b>
<b>NATURAL RESOURCES PROGRAM AREA</b>								
	General Fund	233,406,578		248,839,965		219,427,896		220,982,270
	Lottery Funds	160,695,383		175,397,347		194,753,128		202,517,744
	Other Funds	813,042,612		994,386,117		884,226,798		1,051,019,302
	Other Funds Nonlimited	212,540,589		359,084,463		220,733,797		261,203,797
	Federal Funds	213,021,991		302,886,631		285,659,496		296,449,290
	Federal Funds Nonlimited	-		104,000		104,000		104,000
	<b>Total</b>	<b>1,632,707,153</b>		<b>2,080,698,523</b>		<b>1,804,905,115</b>		<b>2,032,276,403</b>

	2013-15 Actuals	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 Legislatively Adopted
	\$	\$	\$	\$
<b>TRANSPORTATION</b>				
<b>Aviation, Department of</b>				
Other Funds	6,079,744	12,426,644	11,822,955	12,723,305
Federal Funds	4,938,736	8,988,918	1,266,499	9,307,461
Total Expenditures	11,018,480	21,415,562	13,089,454	22,030,766
<b>Transportation, Department of</b>				
General Fund	12,710,074	22,056,357	54,291,838	23,456,104
Lottery Funds	92,643,018	107,484,140	120,644,222	114,604,964
Other Funds	2,975,213,118	3,387,766,797	3,362,591,825	3,654,291,921
Other Funds Nonlimited	1,440,960,350	532,100,569	18,158,214	18,158,214
Federal Funds	93,204,038	118,275,491	99,748,065	105,699,330
Federal Funds Nonlimited	20,053,968	21,621,529	21,575,775	21,575,775
Total Expenditures	4,634,784,566	4,189,304,883	3,677,009,939	3,937,786,308
<b>TRANSPORTATION PROGRAM AREA</b>				
General Fund	12,710,074	22,056,357	54,291,838	23,456,104
Lottery Funds	92,643,018	107,484,140	120,644,222	114,604,964
Other Funds	2,981,292,862	3,400,193,441	3,374,414,780	3,667,015,226
Other Funds Nonlimited	1,440,960,350	532,100,569	18,158,214	18,158,214
Federal Funds	98,142,774	127,264,409	101,014,564	115,006,791
Federal Funds Nonlimited	20,053,968	21,621,529	21,575,775	21,575,775
Total	4,645,803,046	4,210,720,445	3,690,099,393	3,959,817,074

	2013-15 Actuals	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 Legislatively Adopted
	\$	\$	\$	\$
<b>ADMINISTRATION</b>				
<b>Administrative Services, Dept of*</b>				
General Fund	10,669,908	15,830,796	7,593,943	17,445,957
Lottery Funds	8,022,261	10,553,686	15,238,900	14,361,900
Other Funds	900,683,866	947,062,328	880,536,765	983,881,355
Other Funds Nonlimited	151,359,848	300,378,254	129,986,751	129,986,751
Total Expenditures	1,070,735,883	1,273,825,064	1,033,356,359	1,145,675,963
<b>Fairs (County and State)*</b>				
General Fund	-	1,015,299	1,052,865	1,015,299
Lottery Funds	3,669,380	3,864,000	3,648,000	3,828,000
Total Expenditures	3,669,380	4,879,299	4,700,865	4,843,299
<b>Historical Society*</b>				
General Fund	738,750	1,125,000	750,000	900,000
Lottery Funds	210,392	210,392	367,770	360,652
Total Expenditures	949,142	1,335,392	1,117,770	1,260,652
<b>Oregon Public Broadcasting*</b>				
General Fund	492,500	750,000	500,000	500,000
Lottery Funds	546,157	2,013,018	3,005,802	1,572,415
Total Expenditures	1,038,657	2,763,018	3,505,802	2,072,415
<b>Advocacy Commissions Office</b>				
General Fund	424,918	627,045	717,195	697,136
Other Funds	3,342	42,189	42,189	9,481
Total Expenditures	428,260	669,234	759,384	706,617
<b>Employment Relations Board</b>				
General Fund	2,031,615	2,463,085	2,720,476	2,491,749
Other Funds	1,955,487	2,067,604	2,164,482	2,500,764
Total Expenditures	3,987,102	4,530,689	4,884,958	4,992,513
<b>Government Ethics Commission</b>				
Other Funds	1,989,415	2,791,303	2,704,274	2,705,247
<b>Governor, Office of the</b>				
General Fund	11,189,877	12,784,089	13,250,527	12,947,791
Lottery Funds	3,032,991	4,211,103	4,434,432	3,689,100
Other Funds	2,323,520	3,250,620	3,387,418	3,322,288
Federal Funds	-	-	-	6,907,780
Total Expenditures	16,546,388	20,245,812	21,072,377	26,866,959

		<b>2013-15</b>	<b>2015-17</b>	<b>2017-19</b>	<b>2017-19</b>
		<b>Actuals</b>	<b>Legislatively</b>	<b>Current</b>	<b>Legislatively</b>
			<b>Approved</b>	<b>Service Level</b>	<b>Adopted</b>
		\$	\$	\$	\$
<b>Oregon Liquor Control Comm</b>					
	Other Funds	151,299,015	186,681,809	191,327,026	206,250,022
	Other Funds Nonlimited	-	-	-	
	<b>Total Expenditures</b>	<b>151,299,015</b>	<b>186,681,809</b>	<b>191,327,026</b>	<b>206,250,022</b>
<b>Public Employees Retirement System</b>					
	Other Funds	81,931,164	108,240,199	97,396,583	98,448,004
	Other Funds Nonlimited	9,027,953,765	9,863,458,062	10,994,171,000	10,994,171,000
	<b>Total Expenditures</b>	<b>9,109,884,929</b>	<b>9,971,698,261</b>	<b>11,091,567,583</b>	<b>11,092,619,004</b>
<b>Racing Commission, Oregon</b>					
	Other Funds	5,146,512	6,279,468	6,443,325	6,353,396
<b>Revenue, Dept of</b>					
	General Fund	160,778,293	192,458,207	210,070,974	188,533,904
	Other Funds	49,798,657	138,309,985	115,770,126	124,776,501
	<b>Total Expenditures</b>	<b>210,576,950</b>	<b>330,768,192</b>	<b>325,841,100</b>	<b>313,310,405</b>
<b>Secretary of State</b>					
	General Fund	8,597,817	10,286,479	10,082,165	10,426,561
	Other Funds	46,081,409	56,315,860	57,686,035	56,998,482
	Federal Funds	2,832,662	6,278,282	5,194,107	4,721,387
	<b>Total Expenditures</b>	<b>57,511,888</b>	<b>72,880,621</b>	<b>72,962,307</b>	<b>72,146,430</b>
<b>State Library</b>					
	General Fund	3,314,924	3,628,773	4,059,622	3,990,257
	Other Funds	5,653,370	6,443,435	6,899,420	6,717,774
	Federal Funds	4,360,283	5,121,642	5,276,872	5,275,247
	<b>Total Expenditures</b>	<b>13,328,577</b>	<b>15,193,850</b>	<b>16,235,914</b>	<b>15,983,278</b>
<b>Treasury, Oregon State</b>					
	General Fund	-	1,687,988	2,043,089	3,490,552
	Other Funds	44,521,998	62,192,111	65,851,074	80,418,025
	<b>Total Expenditures</b>	<b>44,521,998</b>	<b>63,880,099</b>	<b>67,894,163</b>	<b>83,908,577</b>
<b>ADMINISTRATION PROGRAM AREA</b>					
	General Fund	198,238,602	242,656,761	251,787,991	242,439,206
	Lottery Funds	15,481,181	20,852,199	26,694,904	23,812,067
	Other Funds	1,291,387,755	1,519,676,911	1,430,208,717	1,572,381,339
	Other Funds Nonlimited	9,179,313,613	10,163,836,316	11,124,157,751	11,124,157,751
	Federal Funds	7,192,945	11,399,924	10,470,979	16,904,414
	<b>Total</b>	<b>10,691,614,096</b>	<b>11,958,422,111</b>	<b>12,843,320,342</b>	<b>12,979,694,777</b>

\* Oregon Public Broadcasting, State and County Fairs, and Oregon Historical Society are included in the budget for the Department of Administrative Services as pass-throughs; they are shown separately in this table for informational purposes.

		<b>2013-15</b>		<b>2015-17</b>		<b>2017-19</b>		<b>2017-19</b>
		<b>Actuals</b>		<b>Legislatively</b>		<b>Current</b>		<b>Legislatively</b>
				<b>Approved</b>		<b>Service Level</b>		<b>Adopted</b>
		\$		\$		\$		\$
<b>LEGISLATIVE BRANCH</b>								
<b>Indian Services, Commission on</b>								
	General Fund	391,128		508,295		539,068		537,318
	Other Funds	1,688		6,784		7,035		7,035
	<b>Total Expenditures</b>	<b>392,816</b>		<b>515,079</b>		<b>546,103</b>		<b>544,353</b>
<b>Legislative Administration Committee</b>								
	General Fund	31,561,859		41,066,927		33,925,779		40,873,948
	Other Funds	36,469,633		35,495,025		2,972,132		17,902,565
	Other Funds Nonlimited	9,758,752		5,511,874		390,658		390,658
	<b>Total Expenditures</b>	<b>77,790,244</b>		<b>82,073,826</b>		<b>37,288,569</b>		<b>59,167,171</b>
<b>Legislative Assembly</b>								
	General Fund	36,056,735		43,821,552		46,348,363		40,368,569
	Other Funds	62,126		223,530		26,570		26,570
	Other Funds Nonlimited	88,971		106,360		115,520		115,520
	<b>Total Expenditures</b>	<b>36,207,832</b>		<b>44,151,442</b>		<b>46,490,453</b>		<b>40,510,659</b>
<b>Legislative Counsel Committee</b>								
	General Fund	9,505,417		11,580,183		12,745,700		12,552,965
	Other Funds	1,119,499		1,552,105		1,638,291		1,579,137
	Other Funds Nonlimited	5,206,141		526,136		554,913		554,913
	<b>Total Expenditures</b>	<b>15,831,057</b>		<b>13,658,424</b>		<b>14,938,904</b>		<b>14,687,015</b>
<b>Legislative Fiscal Officer</b>								
	General Fund	3,633,365		4,576,706		4,989,962		4,117,795
	Other Funds	2,668,851		3,530,895		3,779,805		3,655,385
	<b>Total Expenditures</b>	<b>6,302,216</b>		<b>8,107,601</b>		<b>8,769,767</b>		<b>7,773,180</b>
<b>Legislative Policy and Research Office</b>								
	General Fund	-		-		9,792,462		8,847,088
<b>Legislative Revenue Officer</b>								
	General Fund	2,555,506		2,738,657		3,286,432		3,017,916
<b>LEGISLATIVE BRANCH PROGRAM AREA</b>								
	General Fund	83,704,010		104,292,320		111,627,766		110,315,599
	Other Funds	40,321,797		40,808,339		8,423,833		23,170,692
	Other Funds Nonlimited	15,053,864		6,144,370		1,061,091		1,061,091
	<b>Total</b>	<b>139,079,671</b>		<b>151,245,029</b>		<b>121,112,690</b>		<b>134,547,382</b>

	2013-15 Actuals	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 Legislatively Adopted
	\$	\$	\$	\$
<b>MISCELLANEOUS</b>				
<b>Emergency Board</b>				
General Fund	-	-	30,000,000	50,000,000
Total Expenditures	-	-	30,000,000	50,000,000
Special Purpose Appropriations (details below)	-		6,000,000	128,822,118
<b>MISCELLANEOUS PROGRAM TOTAL</b>				
General Fund	-	-	36,000,000	178,822,118
Total	-	-	36,000,000	178,822,118
<b>Special Purpose Appropriations (SPA)</b>				
Various - State Employee Salary Adjustment				100,000,000
Various - Non-state Employee Salary Adjustment				10,000,000
Department of Forestry - Fire protection expenses			6,000,000	6,000,000
Long Term Care Ombudsman - Public Guardian				200,000
Department of Human Services - Foster Parent Supports				750,000
Judicial Department - Grand Jury Recordings				7,900,000
Chief Education Office - 2nd Year Funding				3,972,118
<b>SPA Totals</b>	-	-	<b>6,000,000</b>	<b>128,822,118</b>

	2013-15	2015-17	2017-19	2017-19
	Actuals	Legislatively	Current	Legislatively
		Approved	Service Level	Adopted
	\$	\$	\$	\$
<b>STATE OF OREGON TOTAL EXPENDITURES</b>				
General Fund	15,837,439,280	18,012,039,559	20,670,526,027	19,856,146,680
Lottery Funds	822,710,268	956,766,750	1,042,852,130	1,070,626,818
Other Funds	11,171,135,842	15,549,532,825	13,919,525,149	16,953,354,062
Other Funds Nonlimited	14,988,779,176	15,270,490,223	14,642,202,537	14,717,543,387
Federal Funds	15,038,134,367	18,729,931,201	19,279,542,195	18,845,906,772
Federal Funds Nonlimited	3,244,857,768	3,302,542,191	2,962,564,162	2,946,241,521
Total Expenditures	61,103,056,701	71,821,302,749	72,517,212,200	74,389,819,240
<b>STATE OF OREGON TOTAL EXPENDITURES</b>				
General Fund	15,837,439,280	18,012,039,559	20,670,526,027	19,856,146,680
Lottery Funds	822,710,268	956,766,750	1,042,852,130	1,070,626,818
Other Funds	26,159,915,018	30,820,023,048	28,561,727,686	31,670,897,449
Federal Funds	18,282,992,135	22,032,473,392	22,242,106,357	21,792,148,293
Total Expenditures	61,103,056,701	71,821,302,749	72,517,212,200	74,389,819,240