2023-25

Legislatively Adopted Budget

Detailed Analysis

Legislative Fiscal Office
February 2024

State of Oregon
Legislative Fiscal Office

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To the Members of the Eighty-Second Oregon Legislative Assembly:

Following is the ***2023-25 Legislatively Adopted Budget Detailed Analysis***, which provides agency program descriptions; analysis of revenue sources and relationships; discussions of budget environment; and review of budget decisions made by the Legislative Assembly for the 2023-25 biennium.

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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EDUCATION

PROGRAM AREA

DEPARTMENT OF EARLY LEARNING AND CARE

Analyst: Neburka

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	271,566,738	314,909,409	465,511,497	498,740,395
Other Funds	177,912,469	372,070,651	457,602,430	457,517,563
Federal Funds	226,210,042	767,972,059	381,135,636	382,723,695
Total Funds	**675,689,249**	**1,454,952,119**	**1,304,249,563**	**1,338,981,653**
Positions	195	304	332	354
FTE	180.00	249.60	323.75	343.90

Amounts shown above for 2019-21 and 2021-23 reflect amounts included in the Department of Education budget for those biennia.

Overview

Created to unify, coordinate, and strengthen Oregon's early learning and child care system, the Department of Early Learning and Care (DELC) was established by HB 3073 (2021) and began operations on July 1, 2023. The governing and advisory entity for DELC is the Early Learning Council and the staff is led by the Early Learning Systems Director who is appointed by the Governor. The new agency provides administrative structure and support to programs formerly provided through the Department of Education (ODE), including programs such as Head Start, Preschool Promise, and Healthy Families Oregon; and to the Employment Related Day Care (ERDC) program, formerly provided through the Department of Human Services (DHS). Program funding at the current service level is provided in nearly equal shares by federal funds, primarily the Child Care Development Block Grant; Other Funds, primarily the Early Learning Account of the Fund for Student Success; and General Fund.

The Department relies on a network of Early Learning Hubs to provide local coordination and planning for early learning programs, as well as a network of Child Care Resource and Referral (CCR&Rs) agencies to provide training and support to child care providers. Early Learning programs include Oregon Pre-Kindergarten (a state companion program for the federal Headstart program), Preschool Promise (a "mixed delivery" preschool program), Early Headstart, Healthy Families Oregon, Relief Nurseries, Kindergarten Readiness and Innovation grants, Early Childhood Equity Fund, and Baby Promise.

Legislatively Adopted Budget

The Department's 2023-25 legislatively adopted budget totals $1.339 billion, including $498.7 million General Fund, an increase of $34.7 million, or 2.7%, over the 2021-23 legislatively approved budget. The increase is primarily attributable to General Fund investments in agency operations, the Employment Related Day Care program, and in technical assistance for the new Child Care Infrastructure Fund program.

Operations

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	11,939,799	30,467,182	52,309,634	56,698,472
Other Funds	3,591,699	11,573,340	12,600,373	13,121,321
Federal Funds	38,488,648	84,011,703	61,270,504	62,858,563
Total Funds	**54,020,146**	**126,052,225**	**126,180,511**	**132,678,356**
Positions	195	304	332	354
FTE	180.00	249.60	323.75	343.90

Amounts shown above for 2019-21 and 2021-23 reflect amounts included in the Department of Education budget for those biennia.

Program Description

The Operations program accounts for staff, administrative expenses, and program development, oversight, and operations. A fifteen-member Director's Office leads the following staff organizations:

- Office of Policy and Research, which oversees policy development, legislation, administrative rules, development of guidance documents, and research and evaluation efforts and functions
- Office of the Chief of Staff, which provides a number of agency-wide services including project management, organizational training and engagement, quality assurance unit, equity and strategy development, data and analytics unit, and communications and outreach services.
- Chief Operations Office, which includes budget, procurement, financial, and grants management services; information technology, and the Employment Related Day Care (ERDC) Direct Pay unit.
- Office of Child Care, which both establishes and oversees licensing requirements for child care facilities and ensures compliance with established licensing requirements.
- Office of the Chief of Programs, which designs, implements, oversees, and evaluates state-funded early learning and home visiting programs; develops and maintains regional early learning system partnerships; develops professional learning opportunities in early care and education programs; and oversees the administration of the ERDC program.

Revenue Sources and Relationships

Revenues received in the Operations program area include Other Funds from licensing fees, grants, and the Early Learning Account in the Fund for Student Success; Federal Funds from the Child Care Development Block Grant, the Professional Development Birth Through Five grant, and American Rescue Plan Act (ARPA) discretionary funds. ARPA funds are included in the 2023-25 budget on a one-time basis.

Budget Environment

After a successful start of operations on July 1, 2023, the new Department faces the challenge of continuing to implement Oregon's goals for its early learning and child care system: that children arrive ready for kindergarten; that children are raised in healthy, stable, and attached families; and that the early learning system is aligned, coordinated and family centered. Key operational tasks in the 2023-25 biennium include developing performance measures and standards, program evaluations, and processes for data analytics and quality assurance, in addition to ensuring implementation of the new agency's top priorities: providing families with young children access to the services and supports they need to thrive; supporting the early childhood educator and child care workforce; and providing the necessary operational infrastructure to sustain the Department's programs and services.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Department's Operations programs is $56.7 million General Fund and $132.7 million total funds, with 354 positions (343.90 FTE). This represents an increase of $26.2 million General Fund, or 86.1%, $1.6 million Other Funds, and a decrease of $21.2 million Federal Funds for a net increase of $6.6 million, or 5.3%, from 2021-23 legislatively approved budget. The comparatively large General Fund increase results from actions taken in the 2022 legislative session to add positions necessary for the new agency to begin operations on July 1, 2023. Additional investments in Operations programs for 2023-25 include:

- $2 million General Fund, $1.7 million Federal Funds expenditure limitation, and 16 positions (15.44 FTE) to provide additional support for agency operations. Six positions (5.60 FTE) resolve gaps in the new Department's administrative structure, three positions (3.00 FTE) address a backlog of background checks in the Office of Child Care, and two Investigations positions (1.84 FTE) improve the agency's response to complaints. Five limited-duration positions (5.00 FTE) were converted to permanent positions for compliance work and in the Baby Promise and SPARK quality recognition and improvement programs.
- To improve data management and program compliance in the Healthy Families Oregon program, $800,000 General Fund was approved on a one-time basis for a new database system.

- For DELC to provide technical assistance to child care providers seeking to access the Child Care Infrastructure Fund (CCIF), $186,943 General Fund, $216,168 Federal Funds expenditure limitation, and two positions (1.75 FTE) were approved to design, coordinate and implement the CCIF technical assistance program. This new program will support applicants seeking capital improvement funding through the new Child Care Infrastructure Fund established by HB 3005 (2023) and administered by the Oregon Business Development Department.
- Several policy bills added resources and responsibilities to DELC. HB 2683 added $1,830,240 General Fund to pay for updates to the ONE Eligibility System required for expanded eligibility for the Employment Related Day Care program, prior to eligibility changes taking place in the 2025-27 and 2027-29 biennia. HB 2717 added $65,496 General Fund and one position (0.25 FTE) for development of outdoor child care programs. HB 2991 provided $300,000 General Fund to the Department to commission an independent study related to strengthening the early childhood workforce. HB 3198 added $567,592 Other Funds expenditure limitation and two permanent full-time positions (1.83 FTE) to support development of a Birth Through Five Literacy Plan. SB 1040 added $224,931 General Fund on a one-time basis and one position (0.88 FTE) to develop and administer a pilot program for micro child care centers.

Grant-in-Aid

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	259,626,939	284,442,227	413,201,863	442,041,923
Other Funds	174,320,770	360,497,311	445,002,057	444,396,242
Federal Funds	187,721,394	683,960,356	319,865,132	319,865,132
Total Funds	**621,669,103**	**1,328,899,894**	**1,178,069,052**	**1,206,303,297**

Amounts shown above for 2019-21 and 2021-23 reflect amounts included in the Department of Education budget for those biennia.

Program Description

The Grant-in-Aid budget structure accounts for operating expenses, provider payments, and subsidy payments for the agency's programs. These programs total $1.178 billion at the current service level for 2023-25. Major programs include:

- **Oregon Prenatal to Kindergarten (OPK)**, Oregon's state-funded Head Start and Early Head Start program, which provides comprehensive services to families with children through age five who live at or below 100% of the federal poverty level.
- **Preschool Promise**, which serves families with three- and four-year-olds who live at or below 200% of the federal poverty level. Free, high-quality preschool programs are offered in a variety of settings, including licensed home- and center-based care programs.
- **Early Childhood Equity Fund**, which provides resources to community-based organizations and programs that offer culturally specific early learning, early childhood, and parent support programs.
- **Employment Related Day Care (ERDC) subsidies**, which subsidize consistent, quality child care to eligible low-income families while they are working or attending school, or are recipients of Temporary Assistance to Needy Families (TANF).
- **Healthy Families Oregon**, which is a free, voluntary home visiting program providing support and education to families who are expecting or parenting newborns.
- **Relief Nurseries**, which offer integrated early childhood therapeutic and family support services to prevent children and their families from needing additional child welfare services in the future.
- **Programs Supports,** including Early Learning professional development, parenting education, mental health and behavior supports, and other program support functions.

- **Early Learning and Tribal Hubs**, which provide local community coordination between families with young children and services including early care and education providers, Head Start programs, Early Intervention/Early Childhood Special Education programs, K-12 education partners, and others.

Revenue Sources and Relationships

The Department receives Medicaid funding from the Oregon Health Authority for the Healthy Families Oregon program and Title IV-B (2) Federal Funds from the Department of Human Services. These funding streams are spent as Other Funds in the DELC budget. Asset Forfeiture funds (Other Funds) are used for Relief Nurseries. Many of the programs receive resources from the Early Learning Account of the Fund for Student Success (FSS). Federal childcare funding through the Child Care Development Block Grant (CCDBG) is the largest source of Federal Funds and is used for licensing, monitoring, and child care subsidies through the Employment Related Day Care (ERDC) program.

Budget Environment

In addition to establishing the new agency, HB 3073 (2021) expanded family eligibility for subsidized child care and increased subsidy reimbursement rates. Eligibility for subsidized child care was expanded to include families where parents and caregivers are full-time students, children in foster care, and undocumented children. Eligibility for services was expanded to a twelve-month period, hours were increased for parents with non-traditional work schedules, and eligibility was extended to include family well-being activities. Reimbursement rates were changed from a market-based rate to a "true cost of care" rate model, which has yet to be developed. Funding for these changes was not included in HB 3073, and was not budgeted in the 2021-23 biennium except for the $26.6 million General Fund appropriated to DHS in HB 4005 to increase ERDC rates beginning in June 2022. Additionally, $96.6 million in federal pandemic relief funding supports ERDC family co-pays on a one-time basis in the 2023-25 biennium. Rapid growth in the ERDC program in the late spring/early summer of 2023 necessitated implementation of a waitlist in order to limit the caseload to available funding in the 2023-25 biennium.

The Oregon Pre-Kindergarten (OPK) program, established in 1987 and modeled after the federal Head Start program, serves low income 3 and 4 year-old children to foster their development and enhance their success in school. State and Federal Funds pay for coordinated services provided to eligible children. Families with incomes up to 100% of the federal poverty level (FPL) are eligible for Head Start and OPK. In addition, homeless children and foster families are automatically eligible. The Preschool Promise program generally serves children and families between 100% and 200% of the FPL. Full implementation of the Student Success Act in the 2021-23 biennium funded the OPK and Preschool Promise programs to serve up to 70% of this eligible population.

The local systems for early learning programs are Early Learning Hubs designated by regional partners such as counties, school districts, ESDs, post-secondary institutions, nonprofit service providers, and others who come together in a region. They were conceptually designed to operate in a manner similar to the Coordinated Care Organizations for the Oregon Health Plan. There are currently 16 approved Hubs covering the entire state. Hubs are primarily planning and coordinating entities and receive funding for their infrastructure. Most program funding does not flow through the Hubs, but increased funding starting in 2015-17 allowed the Hubs to direct some of their funding to "purchase" services based on local priorities. Hub funding is distributed based on the percentage of at-risk children in each Hub service area after base funding of $200,000 is provided. In 2021, funding for a Tribal Early Learning Hub was provided to meet the needs of Native Americans on a statewide basis instead of within a specific region.

Child Care Resource and Referral agencies (CCR&Rs) are another local network funded in part through grants from DELC. The 13 CCR&R agencies deliver training and technical assistance to childcare providers, assist providers in opening child care facilities, determine availability of child care providers, provide input on provider selection, and assist providers through the SPARK Quality Improvement Specialists. The service areas of CCR&Rs and Hubs do not always overlap making coordination more difficult. A budget note was included in HB 5015 (2019) instructing the Early Learning Division to study the feasibility of consolidating them to better align regional entities; the resulting report found that consolidation was unlikely to meet the budget note's measures of fiscal or programmatic efficiency.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Department's Grant-in-Aid programs is $442 million General Fund and $1.206 billion total funds. This represents an increase of $157.6 million General Fund, or 55.4%, $83.9 million Other Funds, and a decrease of $364.1 million Federal Funds for a net reduction of $122.6 million, or 9.2%, from 2021-23 legislatively approved budget levels. The large General Fund increase is due to General Fund that supports the ERDC program being budgeted in DELC rather than in the Department of Human Services; the large Federal Funds decrease reflects federal pandemic relief funding that was available on a one time basis in the 2021-23 biennium only. This budget includes $96.6 million of federal pandemic relief funding that supports the ERDC program on a one-time basis in the 2023-25 biennium. The following table displays the funding for the various Early Learning Grant-in-Aid programs.

Grant-in-Aid Programs - *dollars in millions*	2021-23 Legislatively Approved Budget			2023-25 Current Service Level Budget			2023-25 Legislatively Adopted Budget		
	GF	OF/FSS	FF	GF	OF/FSS	FF	GF	OF/FSS	FF
Oregon Prenatal to Kindergarten	164.92	162.47	-	171.85	193.52	-	171.85	193.52	-
Preschool Promise (PSP)	38.26	108.58	-	39.87	147.80	-	39.87	147.80	-
Early Child Hood Equity Fund	-	23.86	-	-	24.86	-	1.70	24.86	-
Early Learning Professional Development	-	27.24	-	-	26.05	-	-	26.05	-
Early Learning Parenting Education	-	4.09	-	-	4.26	-	-	4.26	-
Early Learning Program Supports	-	-	-	-	17.58	-	-	17.58	-
Mental Health & Behavior Support	-	-	-	7.87	-	-	7.87	-	-
Child Care Supports	1.91	2.22	5.05	1.99	2.32	56.17	4.99	2.32	56.17
ARPA Discretionary Funds	-	-	-	-	-	26.19	-	-	26.19
Baby Promise	-	-	0.38	-	-	9.12	-	-	9.12
PDG Federal Grant	-	-	17.21	-	-	12.67	-	-	12.67
ERDC Subsidy	-	-	171.66	122.31	-	119.09	137.31	-	119.09
ARPA Discretionary Funds	-	-	473.76	-	-	96.64	-	-	96.64
Healthy Families (HFO)	28.96	10.04	-	30.18	9.61	-	31.38	9.61	-
Relief Nurseries	11.81	9.93	-	12.31	10.52	-	13.91	10.52	-
Early Learning Hubs	16.29	6.66	-	16.35	6.58	-	16.35	6.58	-
Early Learning Tribal Hub	-	-	-	0.63	-	-	0.63	-	-
Early Learning KPI	9.09	-	-	9.47	-	-	9.47	-	-
Other Early Learning Grants	13.19	5.41	15.91	0.38	1.89	-	6.72	1.29	-

Early learning programs were funded at their current service levels, with modest investments in the following programs:

- An additional $15 million General Fund was provided to improve the per-case rate paid to providers in the Employment Related Day Care program.
- Similarly, $1.6 million General Fund was provided to the Relief Nurseries program and $1.7 million General Fund to the Early Childhood Equity Fund to improve the per-case rate paid to providers in these programs.
- To restore the Healthy Families Oregon program in Lincoln County, $1.2 million was added to the Healthy Families Oregon program.
- $1.7 million General Fund was added to establish the Imagination Library program, which provides a free book each month to eligible Oregon children from birth to age five.
- To support applicants seeking capital improvement funding through the new Child Care Infrastructure Fund established by HB 3005 (2023) and administered by the Oregon Business Development Department, $5 million General Fund was added for a technical assistance program that will enable child care providers – particularly those who historically have not had access to funding – to access and navigate the Child Care Infrastructure Fund.

- A $1 Other Funds expenditure limitation placeholder was established for the Birth Through Five literacy program established by HB 3198 (2023). $9.4 million from the Early Learning Account of the Fund for Student Success is reserved to fund the program, pending approval by the Legislature of an implementation plan for the Birth Through Five grant program.

DEPARTMENT OF EDUCATION

Analyst: Neburka

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	734,637,130	949,620,922	695,497,917	703,192,203
Lottery Funds	692,867	--	3,481,660	3,227,390
Other Funds	760,513,738	2,220,665,911	1,808,457,772	2,949,726,683
Other Funds (NL)	117,440,572	140,475,134	164,071,224	164,071,224
Federal Funds	965,069,495	2,177,963,819	1,531,047,858	1,538,457,342
Federal Funds (NL)	387,658,453	662,827,488	540,463,419	540,463,419
Total Funds	**2,996,012,255**	**6,151,553,274**	**4,743,019,850**	**5,899,138,261**
Positions	502	592	555	656
FTE	470.35	561.94	538.68	626.29

The figures above do not include the State School Fund resources that are part of the overall budget for the Department of Education (ODE), but for the purposes of the budget process are appropriated in a separate bill and are included as a separate section in this publication. Expenditures for early learning programs in the 2019-21 and 2021-23 biennia are excluded from the totals above and are shown under the Department of Early Learning and Care.

Overview

The Oregon Constitution directs the Legislature to "provide by law for the establishment of a uniform and general system of common schools." The State Board of Education and the State Superintendent of Public Instruction are responsible for adopting rules for the general governance of public schools; implementing statewide standards for public schools; and making distributions from the State School Fund to districts that meet all legal requirements. Under changes made in 2011, the separately elected State Superintendent position was eliminated, and the Governor became the Superintendent of Public Instruction. The Governor appoints a Deputy Superintendent who acts as the agency head for Oregon Department of Education (ODE).

ODE supports the State Board and the Deputy Superintendent in carrying out their K-12 related responsibilities, as well as for the educator advancement programs and youth development related programs under separate governing commissions. ODE has been responsible, under federal and state laws, for administering special education programs, including services to disabled children from birth through age 21; compensatory education programs; vocational education programs; and school nutrition programs. ODE's role, generally, is to provide curriculum content standards, technical assistance, monitoring, accountability, contract and grant administration, and statewide leadership on a variety of education issues. Department staff provide direct educational services at the School for the Deaf. A new Department of Early Learning and Care (DELC) was approved during the 2021 legislative session and the various early learning programs were transferred to the new agency as of July 1, 2023.

Legislatively Adopted Budget

The Department's 2023-25 legislatively adopted total funds budget of $5.899 billion is 4.1% less than the 2021-23 legislatively approved total funds budget. This overall reduction is the net result of:

- A net decrease of $246.4 million General Fund due to the phase-out of one-time General Fund for summer learning ($149.7 million), educator recruitment and retention ($97.7 million), and other programs ($13 million) in the 2021-23 biennium. The 2023-25 legislatively adopted General Fund budget of $703.2 million is 26% less than the 2021-23 legislatively approved General Fund budget.
- An increase of $729.1 million Other Funds, the result of new investments made with funding from the Statewide Education Initiatives Account in the Fund for Student Success for early literacy, Hunger Free Schools, and student success plans; and from revenue growth in the Fund for Student Success to support additional investment in Student Investment Account grants.

- A decrease of $639.5 million Federal Funds, primarily due to the expiration of federal COVID-19 pandemic relief funding.

Operations

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	78,250,881	95,231,169	102,093,542	115,813,327
Other Funds	42,467,371	96,021,005	96,596,515	106,976,988
Other Funds (NL)	2,398,978	4,074,452	4,074,452	4,074,452
Federal Funds	46,575,333	74,646,299	75,212,450	82,621,934
Total Funds	**223,712,709**	**396,025,150**	**277,976,959**	**309,486,701**
Positions	420	510	473	574
FTE	394.33	485.92	462.66	549.86

Expenditures for Early Learning Operations in the 2019-21 and 2021-23 biennia are not included above. They are shown under the Department of Early Learning and Care.

Program Description

The Operations budget area includes the responsibilities and activities of the State Board and the Deputy Superintendent, staffing and administration of most ODE programs, and assistance to and review of local school districts. The Board adopts academic standards for public schools and is the policy-making body. The Superintendent (Governor) and Deputy Superintendent exercise general policy direction, monitoring, and oversight of public schools. The Educator Advancement Council and the Youth Development Council provide the oversight of the programs in the appropriate divisions.

The Operations budget area is comprised of the following units, which include the staff and related administrative costs for the various grant-in-aid and other programs in the ODE budget:

- Office of the Director (Deputy Superintendent): Provides the overall leadership, management, and strategy development for the agency. This office also includes government and legal affairs functions, the State Board of Education administrator, internal audit function, human resources staff, the Office of Complaints and Investigations, and communications.
- Office of Indian Education: Promotes communication between Oregon's nine federally recognized tribes and the Deputy Superintendent, and manages programs that support the cultural, language, and education needs of American Indian/Alaska Native students.
- Office of Teaching, Learning and Assessment: Includes staff responsible for STEM and Career and Technical Education (CTE) programs, standards and instructions, Student Achievement grant programs, student assessments, U.S. Department of Education Title programs, and Oregon Digital Learning and Teaching Innovations.
- Office of Enhancing Student Opportunities: Includes staff for administering, monitoring, and providing support for programs and grants relating to special education, Early Childhood Special Education, long-term Care and Treatment/hospital and youth corrections/juvenile detention, the Oregon School for the Deaf, homeless children and youth education grants, rural and low income schools grants, and summer school program grants funded through the Student Success Act.
- Office of Education Innovation and Improvement: Includes the staff responsible for administering many of the programs under the Student Success Act, including the Student Investment Account grant program, the Student Success Team and intensive Coaching grant programs, the High School Success Grant program (Measure 98), Title IA school improvement grants, chronic absenteeism grants, and district technical assistance, training, and coaching programs.

- Office of Equity, Diversity, and Inclusion: Manages various equity-focused and culturally specific programs and initiatives, including the African American/Black Student Success plan, the LGBTQ2SI+ Student Success plan, the Latinx Student Success plan, English Language Learners grants, and the Statewide School Safety and Prevention program.
- Child Nutrition, Fingerprinting, and Transportation: Administers child nutrition programs, pupil transportation programs, and the fingerprinting program.
- Educator Advancement Council: supports multiple initiatives for educator training and professional learning, including grant programs available through ten Regional Educator Networks and Grow Your Own partnerships.
- Youth Development Division: Administers programs and grants that support youth that are at risk of, or have, dropped out of school and/or the workforce.
- Office of Finance and Information Technology: Provides fiscal and administrative services, such as accounting, grants management, budgeting, payroll, information systems support, and procurement. This office is also responsible for the calculation and distribution of State School Fund payments to school districts and education service districts (ESDs) and administers the Oregon School Capital Improvement Matching (OSCIM) program.

<u>Revenue Sources and Relationships</u>
Department Operations relies on a variety of resources. General Fund supports 35% of the Operations budget. Other Funds supports 37% of total Operations costs; resources from the Fund for Student Success support specific programs created by the Student Success Act. Federal Funds account for 28% of expenditures and are tied to specific programs and functions, such as oversight and monitoring, as required by federal law.

Other Funds revenues include indirect cost recovery from federal programs based on cost allocation plans, fees for fingerprinting and background checks, funds from the Department of Human Services and Oregon Health Authority for health-related and other programs, funds from the Higher Education Coordinating Commission for professional/technical education services and administration, textbook review fees, and miscellaneous fees, contracts, and grants. “Carve-out” funds from the State School Fund are also treated as Other Funds and are used for staff and other costs associated with the Educator Advancement Council, Oregon School Capital Improvement Matching (OSCIM) program, population specific Education Plans, and the English Language Learners initiative. The Fund for Student Success contributes $52.7 million for staffing and other costs in this budget unit.

Major federal revenue sources include the Individuals with Disabilities Education Act (IDEA), the National School Lunch Program and other nutrition programs, assessment funds, Child Care Development Block Grant funds, Title XX funds, and programs associated with the federal Every Student Succeeds Act (ESSA), previously known as the No Child Left Behind Act.

<u>Budget Environment</u>
The Department has undergone a number of reorganizations in the past ten years. These include the incorporation of two new major program areas in 2013 - early learning and youth development - and the divestiture of the Early Learning Division in July of 2023. Staffing patterns for individual K-12 Grant-in-Aid programs continue to change as several K-12 grant-in-aid programs have started and then been terminated after one or two biennia as the priorities of the executive and legislative branches have changed. Passage of the Student Success Act (2019) resulted in significant increases and reorganization of staff. With the establishment of the new Department of Early Learning and Care (DELC) on July 1, 2023, a significant percentage of the agency’s staff and approximately $1.2 billion in grant-in-aid programs moved out of the Department and into the new agency. The Early Learning staff represented the largest staff team in the Department with 304 authorized positions (249.60 FTE) in the 2021-23 biennium, all of which transferred to DELC as of July 2023.

During the 2021-23 biennium, the Department undertook several new initiatives with one-time "set aside" funding from the Elementary and Secondary School Emergency Relief (ESSER) III fund. These initiatives included a leadership team for multilingual and migrant education, investments in kindergarten through grade five literacy, and investment in the Office of Indian Education, all of which are carried forward or built upon in the 2023-25 biennium.

Several of the Department's mission-critical business systems are past their useful lives and must be replaced. Information technology projects in the 2023-25 biennium include replacement of the Department's Electronic Grants Management System and development of a project to replace the State School Fund system, the data and technology system that gathers, stores, calculates, and processes State School Fund payments to school districts and education service districts.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Department Operations of $115.8 million General Fund ($309.5 million total funds) reflects an increase of $20.6 million, or 21.6%, from the 2021-23 legislatively approved budget for General Fund support, and a $39.5 million, or 14.6%, increase in total funds over the same period, excluding the Early Learning Division's 2021-23 Operations budget. Positions increased from 473 (462.66 FTE) at the current service level to 574 (549.86 FTE), the cost of which accounts for most of the growth in this budget in the 2023-25 biennium.

Major changes in the Operations budget include:

- Fourteen positions (12.88 FTE) and $4,328,241 Other Funds expenditure limitation were approved to staff the new early literacy program established by HB 3198 (2023). Staff will develop and administer a grant program for public elementary schools to provide curricula, high-dosage tutoring and other extended learning programs, and professional development and training for educators on research-aligned literacy strategies for students in kindergarten through third grade. This program is funded from the Statewide Education Initiatives Account in the Fund for Student Success.
- Ten positions (10.00 FTE) and $4,826,632 Other Funds expenditure limitation were approved for the Educator Advancement Council to continue the development and implementation of a comprehensive adult professional learning system for educators, including $2 million for procurement of an online learning platform.
- Thirteen limited duration positions (11.96 FTE) and $3,140,320 General Fund were approved for the implementation of SB 819 (2023), which addresses the use of abbreviated school days for students with disabilities. Staff will develop and administer processes related to technical assistance for compliance with Federal and state laws related to educating students with disabilities.
- Eight positions (5.40 FTE) and $2,601,745 General Fund were approved to develop, implement, and fund up to nine approved recovery schools, which are secondary (high) schools that provide health care services related to recovery from substance use disorder, as required under HB 2767 (2023). This amount includes $1,398,682 for supplies and contract services necessary for implementing the measure. Grant funds to pay the educational costs of students in approved recovery schools are included in the Grant-in-Aid section, below.
- Nine limited duration positions (5.63 FTE) and $1,854,174 Federal Funds expenditure limitation were extended from the 2021-23 biennium to complete a variety of projects related to student mental health and the effects of the COVID-19 pandemic on students, families, and school staff. This program was started with one-time Federal ESSER III funding that ends during the 2023-25 biennium.
- To support school districts in teaching migrant students and English Language Learners, and improving their educational success in Oregon schools, $748,833 Other Funds expenditure limitation, $1.5 million Federal Funds expenditure limitation, and eight permanent positions (7.68 FTE) were approved for the Department to continue the migrant and multilingual education team established during the 2021-23

biennium. The source of Other Funds is the Statewide Education Initiatives Account in the Fund for Student Success; the source of Federal Funds is federal ESSER III funding, available on a one-time basis in the 2023-25 biennium.

- Due to the transfer of the Early Learning Division to the new Department of Early Learning and Care, ODE's Operations program lost a significant amount of indirect revenue from Federal Funds that supported various business functions in the Department. To maintain these functions, $6,456,458 Other Funds expenditure limitation was eliminated, and $6,555,192 General Fund was approved on an ongoing basis.
- Federal Funds expenditure limitation of $3,784,973 was provided on a one-time basis to extend four grant-funded positions (3.92 FTE) through the 2023-25 biennium, to extend fourteen positions (9.32 FTE) currently assigned to federal ESSER III "set-aside" projects, and to partially fund one position (1.00 FTE) in the Office of Indian Education.
- A total of eighteen additional positions (17.12 FTE) and $8,658,831 total funds were approved to support the development of student success plans, to staff the development of plans to replace the Department's information technology systems used for procurement and for distributing the State School Fund to school districts and education service districts, to develop academic content standards and curricula, and to provide academic supports to tribal nations and small and/or rural schools in Oregon. Funding for these positions and associated costs includes $2,230,615 General Fund, $6,003,426 Other Funds expenditure limitation, and $424,790 Federal Funds expenditure limitation.

Educator Advancement Council

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	11,383,611	53,863,205	40,507,750	71,345,644
Total Funds	**11,383,611**	**53,863,205**	**40,507,750**	**71,345,644**

Program Description
The Educator Advancement Council (EAC) was established by SB 182 (2017) to strengthen educator professional learning statewide. The Council consists of 21 members who represent state education agencies, school districts and education service districts, educator preparation providers, and other education-focused organizations. Through a system of ten Regional Educator Networks, the EAC provides technical assistance and distributes non-competitive grants to enable professional learning opportunities for preschool through post-secondary educators at the local level. Staff support for the Council is accounted for in ODE's Operations budget and is not shown in the table above.

Revenue Sources and Relationships
The program is funded through a statutory dedication of State School Fund resources deposited each biennium into the Educator Advancement Fund (ORS 342.953) and with funds from the Student Success Act. For the 2023-25 biennium only, $25 million in one-time Educator Advancement Fund balance is used to support the Grow Your Own grant program.

Budget Environment
Regional Educator Networks, the EAC's primary means of allocating resources to educators for professional development, were first established in 2019 but were hampered in their development by the COVID-19 pandemic. The 2021-2023 biennium was the first full biennium of implementation for the EAC's grant programs. Implementation of programs continued to lag as the state recovered from the pandemic, with just 27% of the EAC's grant-in-aid resources spent by May of 2023. An Indigenous Educator Institute program funded with $10 million Other Funds in the 2021-23 budget was significantly slowed by hiring and procurement delays and is

continued on a one-time basis as the Tribal Nations Educator Collaborative in the 2023-25 biennium with $3.4 from the Statewide Education Initiatives Account of the Fund for Student Success.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Educator Advancement Council is $71.4 million Other Funds, $17.5 million, or 32.5%, more than the 2021-23 legislatively approved budget. The net increase results from the following changes:

- Three programs - an anti-racist leadership initiative, the Indigenous Educator Institute, and capacity grants provided through Regional Education Networks - were funded on a one-time basis in the 2021-23 biennium and were phased out for 2023-25, reducing the base budget by $15 million Other Funds expenditure limitation.
- A one-time increase of $25 million Other Funds expenditure limitation in the Educator Advancement Fund was approved. The purpose of this one-time change is to allow the Council to use $25 million of ending fund balance in the Educator Advancement Fund in the 2023-25 biennium. A corresponding one-time reduction of $25 million in Statewide Education Initiatives Account funding for educator professional development grants is taken in the Grant-in-Aid budget, below, for no net change to programs and services overseen by the EAC in the 2023-25 biennium.
- The addition of $3.4 million Other Funds from the Statewide Education Initiatives Account was made to continue the Tribal Nations Educator Collaborative in the 2023-25 biennium.
- A statutorily required inflationary increase of $2.4 million Other Funds expenditure limitation was made to the Educator Advancement Fund. The source of Other Funds is a carve-out from the State School Fund.

Oregon School for the Deaf

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	11,722,424	14,764,806	15,384,563	15,384,563
Other Funds	4,739,427	6,686,118	6,959,140	6,959,140
Federal Funds	225,708	332,673	392,642	392,642
Total Funds	**16,737,559**	**21,783,597**	**22,736,345**	**22,736,345**
Positions	82	82	82	82
FTE	76.02	76.02	76.02	76.43

Program Description

The Oregon School for the Deaf (OSD) is a residential/day program located in Salem that serves students who are hearing-impaired. OSD provides academic and career education, living skills development, athletics, and leadership training. For the 2022-23 school year, there were a total of 96 students enrolled at the School with nearly half being residential students. This compares to a total of 117 total students during the 2018-19 school year reflecting the continuing impact of the COVID-19 pandemic. As of 2022-23, 59% of the students were in high school, 13% in middle school (grades 6 to 8), and 27% in elementary school.

Revenue Sources and Relationships

Other Funds revenues reflect receipts from special education billings, State School Fund distributions, donations, Medicaid reimbursements, fees from local school districts for services provided to their students, nutrition reimbursements, property rental income, and other sources. Federal revenues are generally special education related funding and nutrition related.

Budget Environment

OSD has been located on its present campus in northeast Salem for over 100 years. The School's facilities are aging and have significant deferred maintenance needs. A report issued in 2013 identified deferred maintenance projects that needed to be addressed, some of which were completed with $2.6 million of the proceeds from the sale of the Oregon School for the Blind. HB 3687 (2010) directed the Department of Administrative Services (DAS) to transfer 50% of the net proceeds from the sale of the Oregon School for the Blind (OSB) to ODE for improvements, repairs, and maintenance costs benefitting the health, safety, and housing of the students at OSD. Projects completed so far include roof replacement/repair on some of the buildings, upgrading an elevator, refinishing the gym floor, and installation of a new HVAC system to replace the boiler system. ODE has used proceeds of Article XI-Q bonds and other revenues to continue the necessary work, and this practice is continued for the 2023-25 biennium as discussed in the school facilities section below.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $15.4 million General Fund is $0.6 million, or 4.2%, greater than the 2021-23 legislatively approved budget. The total funds budget of $22.7 million is $1.0 million, or 4.4% more than the 2021-23 amount. Staffing levels continue at the same level, with a slight upward adjustment in FTE of 0.41 for position reclassifications and FTE adjustments. The increase in the budget is almost entirely due to the standard compensation changes for the existing positions.

K-12 Grant-in-Aid

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	600,212,304	772,918,368	498,488,282	501,324,283
Other Funds	568,418,458	1,744,186,451	1,649,102,894	2,373,448,179
Federal Funds	918,020,768	2,101,729,668	1,454,134,869	1,454,134,869
Federal Funds (NL)	387,658,453	662,827,488	540,463,419	540,463,419
Total Funds	**2,474,309,983**	**5,281,661,975**	**4,142,189,464**	**4,869,370,750**

Expenditures for early learning programs in the 2019-21 and 2021-23 biennia are not included above. They are shown under the Department of Early Learning and Care.

Program Description

The Department's Grant-in-Aid programs are primarily for the purchase of educational services for students with specific educational needs or in specialized areas of need. Grant-in-Aid programs are mostly directed to K-12 students and are administered by school districts, Educational Service Districts (ESDs), or entities other than state government. Programs under this budget area are divided into the following areas:

- Student Success grants, including Ballot Measure 98 grants, Student Investment Account grants, reading programs, and chronic absenteeism grants.
- District Capacity and Technical Assistance, including Student Success Act ESD technical assistance grants, academic Early Warning grants, and foster care transportation grants.
- STEM and CTE Related programs, including Regional Network grants, Revitalization grants, Career Pathways and Future Farmers of America grants.
- Nutritional programs, including School Lunch and Breakfast programs and the Farm-to-School program.
- Closing the Achievement Gap programs, including student success plans for specific populations, English Language Learners grants, federal Title I grants and Summer School grants.
- Specialized Student Service grants, including special education programs, Early Intervention/Early Childhood Special Education programs, Long Term Care and Treatment program, and Regional Inclusive Services programs.

- Due to the transfer of the Early Learning Division to DELC, ODE is required to transfer funds from the Early Learning Account (ELA) in the Fund for Student Success to DELC in order to pay for those ELA-funded programs provided by the new department. This transfer is a technical requirement needed to properly account for Fund for Student Success programs and is included in the Grant-In-Aid budget structure for the first time in the 2023-25 biennium.

Grants are made for specific student services, such as compensatory education, physical education, and child nutrition services. They also are made for special education services provided by regional programs, Early Intervention/Early Childhood Special Education, educational services for children in day treatment and hospital programs, and programs through private agencies. Other programs include vocational and workforce development, school reform implementation, transition efforts between secondary and post-secondary schools, STEM/CTE programs, and training of teachers and other education professionals. This budget unit also includes the funding of grants to school districts under Ballot Measure 98 which established the High School Success Grant program.

The largest change in this budget area recently is related to passage of the Student Success Act (2019), which provides over $1.6 billion Other Funds for a variety of K-12 programs. The largest of these programs is the Student Investment Account grant program ($1.087 billion), which is distributed to school districts based on a formula; the second largest is the High School Success (Ballot Measure 98) grant program ($136.7 million). Additionally, $438.2 million from the Early Learning Account (ELA) is transferred to the Department of Early Learning and Care for early learning programs, and $93.3 million from the ELA supports the Early Intervention/Early Childhood Special Education program. More detail on the Student Success funding for 2023-25 can be found in the table below.

Revenue Sources and Relationships

Other Funds revenues represent receipts from special education billings, state tobacco tax funds from the Public Health Division of the Oregon Health Authority for physical education programs, and miscellaneous grants. There are also distributions, or "carve-outs," from the State School Fund which are treated as Other Funds in this budget unit for a variety of programs including Youth Corrections, the Long-Term Care and Treatment program, English Language Learners program, and the School Safety and Emergency Management program. As noted above there is also over $2.1 billion Other Funds generated from the corporate activities tax (CAT) authorized under the Student Success Act (HB 3427, 2019).

The Department receives nearly $1.5 billion Federal Funds on an ongoing basis in this program unit, mainly from the U.S. Department of Education for programs funded through the Every Student Succeeds Act (ESSA); for special education through the federal Individual with Disabilities Education Act (IDEA), and from the U.S. Department of Agriculture for nutrition programs. Most of the funding is passed through to local school districts, ESDs, or contractors. For 2023-25, this budget includes remaining Elementary and Secondary School Emergency Relief (ESSER) pandemic relief funds of $529 million for use before September 30, 2024.

Fund for Student Success

The Student Success Act, established by HB 3427 (2019), is the largest source of Other Funds in the Grant-in-Aid budget structure. The bill established a Fund for Student Success, separate from the General Fund, and established a modified Corporate Activities Tax to finance expenditures from the new fund. Three accounts within the fund provide structure for investments in early learning, statewide education initiatives, and investments in student health, safety, and expanded curriculum options. In the 2023-25 biennium, the Fund for Student Success provides $531.4 million for early learning programs, $585.8 million for statewide education initiatives, $1.087 billion for investments in students, and deposits $702 million into the State School Fund to replace General Fund personal income tax revenues that would otherwise be lost due to tax reductions in the bill. $438.2 million from the Early Learning Account is transferred to the Department of Early Learning and Care for early childhood programs; $93.3 million is retained in the Department of Education and supports the Early Intervention/Early Childhood Special Education (EI/ECSE) program.

Budget Environment

The EI/ECSE program serves children with disabilities and their families to improve developmental status and increase school readiness for each child. The EI portion of the program serves children from birth through age 2 and is statutorily required. The ECSE component serves children from age 3 until the age at which schooling begins (usually age 5) and is federally mandated. The Department generally contracts with Education Service Districts (ESDs) to provide and coordinate the services. Within the statewide budget development process, EI/ECSE is the only mandated caseload program in the Department and receives funding adjustments based on caseload count plus inflation. Even with these mandated increases, the service level for the program has traditionally lagged actual need, given that cost factors are similar to those facing the general education systems, including teacher compensation and benefits. Resources from the Student Success Act greatly improved the funding level for this program, although post-pandemic caseloads are growing at a rate that may outstrip budget resources in the 2023-25 biennium.

ODE is responsible for ensuring that educational services are provided to children in the Oregon Youth Authority's (OYA) close custody facilities through the Youth Corrections Education Program (YCEP) and in county detention centers through the Juvenile Detention Education Program (JDEP). The Department contracts with local education service districts (ESDs) to provide such services. Prior to and during the COVID-19 pandemic, the number of youths receiving these services was declining. Funding originates as a carve-out from the State School Fund as each youth in the programs receives a specific ADMw amount. Despite a declining population of youth participating, the programs must provide grade specific classroom instruction, meaning that teachers and associated staff must be available even for a small number of students. In the 2023-25 budget, ongoing General Fund is provided to stabilize the program, and the Department was directed to account for YCEP and JDEP as one program, providing greater funding flexibility between the two programs as their populations shift during the biennium.

Oregon, like most states, saw declines in student learning after the COVID-19 pandemic. National test scores released in late 2022 showed that Oregon students experienced larger declines in reading scores than the national average, with test results in reading for fourth and eighth graders falling four points more than the national average 3-point decline. To respond to this learning loss and to bolster the way in which reading is taught in Oregon Schools, the Legislature passed HB 3198 (2023), which created new grant programs for school districts and education service districts to pay for professional development and coaching in early literacy instruction for teachers, high-dosage tutoring, and new, research-aligned literacy curricula.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $4.869 billion total funds is $412.3 million, or 7.8%, less than the 2021-23 legislatively approved budget, while the General Fund budget of $501.3 million is $271.6 million, or 35.1%, less over the same period. The General Fund decrease is almost entirely due to the elimination of programs that were funded on a one-time basis in the 2021-23 biennium, including summer learning ($149.7 million), teacher recruitment and retention and substitute teacher training grants ($97.7 million), and one-time funding for the YCEP and JDEP programs ($8.0 million). A net decrease in Federal Funds provided through the ESSER III program of $673.1 million is offset by an increase in Other Funds of $629.3 million, the result of increased funding provided through the Fund for Student Success and the addition of a cash transfer to the Department of Early Learning and Care for programs funded through the Early Learning Account.

Significant changes to K-12 Grant-in-Aid programs include:

- $90 million Other Funds expenditure limitation for the new early literacy success program in HB 3198 (2023). These funds leverage an additional $30 million provided by school districts for a total of $120 million in new funding for early literacy. This program will fund grants for school districts and education service districts to improve early literacy instruction and educator preparedness in kindergarten through grade five and is funded from the Statewide Education Initiatives Account (SEIA) in the Fund for Student Success. An additional $1 Other Funds expenditure limitation was established for a community and tribal early literacy grants program. $9,999,999 is set aside in the SEIA for community and tribal early literacy grants, pending legislative approval of a plan for the program. Additionally, the transfer from the Early Learning Account to DELC was increased by $0.6 million Other Funds expenditure limitation to pay the staff costs of a Birth Through Five early literacy program.

- $18.6 million Other Funds expenditure limitation was approved to address a growing caseload in the EI/ECSE program.
- To stabilize funding for the YCEP and JDEP programs, $8.3 million General Fund was approved on an ongoing basis. Direction was provided to the Department to account for the two programs together in order to provide for more funding flexibility when populations fluctuate between the two programs.
- $2.5 million General Fund was approved on a one-time basis for ODE to make grants to school districts to purchase and install electronic panic alarm systems in school buildings.
- $17 million Other Funds expenditure limitation was approved in the Hunger-Free Schools subaccount in the SEIA to leverage federal nutrition dollars through the Community Eligibility Provision.
- In order to bring the level of grant funding in the Student Investment Account to the statutorily required level, Other Funds expenditure limitation was increased by $157.4 million.
- To meet the statutory requirement for inflating the High School Success and College and Career Fund, Other Funds expenditure limitation was increased by $14.7 million.
- The African American Black Student Success Plan was increased by $5 million Other Funds from the SEIA on an ongoing basis.
- To provide grant funding through the Native Hawaiian/Pacific Islander Student Success plan established by HB 3144 (2023), $2 million Other Funds expenditure limitation was established with funds from the SEIA.
- HB 2767 (2023) requires the Department to pay the costs of educating students in approved recovery schools. Recovery schools are secondary (high) school education programs that provide health care services related to recovery from substance use disorder. For funding students in up to three recovery schools in the 2023-25 biennium, Other Funds expenditure limitation was increased by $1.1 million from the State School Fund and $2 million from the SEIA.
- For certifying instructors in nonviolent crisis intervention methods through the Safe School Culture Grant program established by SB 283 (2023), $5 million General Fund was approved on a one-time basis. An additional $10 million General Fund was approved on a one-time basis to promote registered apprenticeships for education and a beginning teacher and administrator mentorship.
- To align implementation of Holocaust and genocide studies with the implementation of content standards for ethnic studies in the 2026-27 school year, $2.3 million General Fund was approved on a one-time basis to ensure that school districts are able to offer instruction that meets the new content standards. One staff position to coordinate the necessary work is funded in the Operations program.
- Small and/or rural school districts in Oregon often lack the resources for accessing and administering the more than 100 grant programs offered through the Department of Education. The Department used one-time pandemic relief funding during the 2021-23 biennium for a grant program to provide technical assistance and support to these districts. This program is continued in the 2023-25 biennium with $4.7 million Other Funds expenditure limitation from the SEIA.

K-12 Grant-in-Aid Programs - *dollars in millions*	**2021-23 Legislatively Approved Budget**			**2023-25 Current Service Level Budget**			**2023-25 Legislatively Adopted Budget**		
	GF	**OF/FSS**	**FF**	**GF**	**OF/FSS**	**FF**	**GF**	**OF/FSS**	**FF**
Student Success Grant Programs									
Start Making A Reader Today (SMART)	0.28	-	-	0.29	-	-	0.29	-	-
Reach Out to Read Program	0.08	-	-	0.08	-	-	0.08	-	-
Supporting Accelerated Learning Opportunities	2.86	-	-	2.98	-	-	2.98	-	-
Physical Education Grants	1.48	3.05	-	1.54	2.67	-	1.54	3.17	-
Chronic Absenteeism Grants	6.75	-	-	7.04	-	-	7.04	-	-
High School Success Grants (Measure 98)	-	307.32	-	-	310.16	-	-	324.88	-
High School Success Grants CARRYOVER ONLY	-	42.63	-	-	-	-	-	-	-
Student Investment Program - Formula Grants	-	892.28	-	-	929.75	-	-	1087.18	-
Student Investment Intensive Program: High Need	-	25.03	-	-	26.08	-	-	26.08	-
Interfund Transfers from General Fund	174.62	-	-	176.24	-	-	151.20	-	-
Emergency Use Federal Funds (CRF, GEER, ESEER, etc.)	-	-	1231.29	-	-	529.71	-	-	529.71
Wildfire Funding (one-time over 2 biennia)	-	12.50	-	-	12.50	-	-	11.16	-
Teacher Recruitment/Retension & Substitute Training (one-time)	97.70	-	-	-	-	-	-	-	-
Summer Learning Programs (2021, 2022) (one-time)	149.71	-	-	-	-	-	-	-	-
Early Literacy	-	-	-	-	-	-	-	90.00	-
Aademic Content Standards	-	-	-	-	-	-	2.25	-	-
Safe School Culture Grant Program	-	-	-	-	-	-	5.00	-	-
Recovery Schools (HB 2767)	-	-	-	-	-	-	-	3.15	-
Other Federal/Other Funds Grants	-	144.83	18.15	-	17.20	22.24	-	16.33	34.58
District Capacity and Technical Assistance Grant Programs									
ESD Technical Assistance Support Grants	-	41.08	-	-	42.81	-	-	42.81	-
Healthy & Safe School Plan Grants	-	2.00	-	-	2.08	-	-	2.08	-
Statewide School Safety & Prevention Systems	-	2.97	-	-	3.10	-	-	3.45	-
Early Warning System Grants	-	3.65	-	-	3.80	-	-	3.80	-
Electronic Warning System Technical Assistance Grants	-	1.83	-	-	1.90	-	-	1.90	-
Foster Care Transportation Grants	-	2.09	-	-	2.17	-	-	2.17	-
Other District Capaciaty Grants (Panic Button program)	-	-	-	-	-	-	2.50	-	-
STEM and CTE Related Programs									
STEM/CTE Regional Network Grants	6.72	-	-	7.00	-	-	7.00	-	-
CTE Revitalization Grants	7.32	-	-	7.63	-	-	7.63	-	-
Mathways	2.00	-	-	2.08	-	-	2.08	-	-
STEM/CTE Career Pathway Fund	8.09	-	-	8.43	-	-	8.43	-	-
STEM/CTE Innovation Grants	5.29	-	-	5.51	-	-	5.51	-	-
Student Leadership Centers	0.76	-	-	0.79	-	-	0.79	-	-
Future Farmers of America Association	1.49	-	-	1.55	-	-	1.55	-	-
Agricultural Summer Program Grants	0.63	-	-	0.65	-	-	0.65	-	-
CTE Vocational Education Grant: Perkins Grant	-	-	34.72	-	-	36.09	-	-	36.09

K-12 Grant-in-Aid Programs (continued) - *dollars in millions*	2021-23 Legislatively Approved Budget			2023-25 Current Service Level Budget			2023-25 Legislatively Adopted Budget		
Nutritional Programs									
Federal Reimbursement Programs	-	-	446.67	-	-	540.46	-	-	540.46
After School Meal/Snack Program	0.52	-	-	0.54	-	-	0.54	-	-
Breakfast & Summer Lunch Programs	1.06	-	-	1.10	-	-	1.10	-	-
Breakfast After the Bell Program	-	1.18	-	-	1.23	-	-	1.23	-
Hunger Free Schools Program Grants	-	52.17	-	-	88.90	-	-	105.90	-
Free Lunch Grant Program (SSF Transfer)	-	2.85	-	-	2.97	-	-	2.97	-
Farm to School - Transfer to Agriculture	0.24	-	-	0.25	-	-	-	-	-
Farm to School Programs	9.99	-	-	10.41	-	-	10.41	-	-
Educator Effectiveness & Professional Development									
Educator Professional Development Grants	-	30.72	-	-	32.01	-	-	7.01	-
Title IIA Teacher and Principal Grant	-	-	39.29	-	-	40.94	-	-	40.94
Closing the Achievement Gap									
African American Education Plan Grants	11.50	7.65	-	6.77	7.97	-	6.77	12.97	-
Latino State Plan	-	6.09	-	-	6.34	-	-	6.34	-
LGBTQ State Plan	-	2.00	-	-	4.17	-	-	4.17	-
Native Hawaiian/Pacific Islander State Plan	-	-	-	-	-	-	-	2.00	-
American Indian/Alaskan Native Student Success Plan	-	5.15	-	-	5.37	-	-	5.37	-
Refugee/Immigrant Student Success Plan	-	-	-	-	-	-	-	-	-
Public Charter School Equity	-	2.00	-	-	4.17	-	-	4.17	-
Tribal Attendance Grants	1.68	-	-	1.75	-	-	1.75	-	-
English Language Learners Grants	-	10.00	-	-	10.42	-	-	10.42	-
English Language Learners One-time carryover funding	-	3.00	-	-	-	-	-	-	-
Summer School Grants	-	8.26	-	-	8.60	-	-	8.60	-
Rural School Technical Support Grants	-	-	-	-	-	-	-	4.65	-
Low Income: Title I, Part A	-	-	313.00	-	-	325.09	-	-	300.01
School Improvement Grants	-	-	21.26	-	-	22.15	-	-	22.15
Migrant Education (Title I, Part C) Grants	-	-	40.01	-	-	42.07	-	-	50.90
English Language Acquisition (Title III) Grants	-	-	13.97	-	-	14.57	-	-	14.89
Title IV-A Student Enrichment Grants (new 2018-19)	-	-	20.89	-	-	21.77	-	-	23.62
Title IV-B 21st Century Community Learning Centers	-	-	19.71	-	-	20.54	-	-	22.29
Specialized Student Service Grant Programs									
Vision Screenings Reimbursements	-	3.23	-	-	3.36	-	-	3.36	-
Youth Corrections Education Program (YCEP)	2.80	9.70	1.05	-	10.11	1.09	-	-	-
Juvenile Detention Education Program (JDEP)	5.16	5.27	0.08	-	5.49	0.08	-	-	-
YCEP/JDEP (combined in 2023-25)	-	-	-	-	-	-	8.34	15.60	1.17
Transition Network Facilitator Grants (TNFs)	1.46	-	-	1.52	-	-	1.52		-
Early Intervention/Early Childhood Educ (EI/ECSE)	216.11	-	29.01	195.33	74.71	47.41	195.33	93.27	47.41
Regional Programs	29.97	-	35.24	31.23	-	36.72	31.23	-	36.72
Hospital Programs	1.48	6.32	0.09	1.54	6.59	0.09	1.54	6.59	0.08
Long Term Care and Treatment	20.50	19.88	3.07	21.36	20.72	3.20	21.36	20.72	3.20
Blind & Visually Impaired	-	1.68	-	-	1.75	-	-	1.75	-
Individuals with Disabilities Act (IDEA) Grants	-	-	280.91	-	-	290.38	-	-	290.38
Interfund Transfers from General Fund (BVIS/VS)	4.66	-	-	4.86	-	-	4.90	-	-
Transfer to the Department of Early Learning and Care									
Cash transfer from the Early Learning Account	-	-	-	-	-	-	-	438.18	-

Youth Development Division Grant-in-Aid

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	13,287,269	20,020,597	15,324,869	17,324,869
Other Funds	9,021,684	21,675,117	15,291,473	22,028,122
Federal Funds	247,686	1,255,179	1,307,897	1,307,897
Total Funds	**22,556,639**	**42,950,893**	**31,924,239**	**40,660,888**

Program Description

The Youth Development Division was established in 2013 to provide a focal point for youth-related programs and to ensure that services provided to youth through age 24 are provided in a manner that is integrated, measurable, and accountable to support academic success and reduce criminal involvement. A Youth Development Council provides direction to and governance of the Division's program. The Division is led by a Youth Development Director who is appointed by the Governor. The grant programs overseen by the Youth Development Division formerly were administered through the Commission on Children and Families, and include the Juvenile Crime Prevention Program, Title XX Youth Investment Program, Community Schools, and the Gang Involved Youth

Program. Other programs include Youth and Community grants, Youth and Innovations grants, and Youth Engagement grants. This last program was created as part of the Student Success Act (2019) and is designed to reconnect youth aged 14 to 21 who are dropouts or not making sufficient progress toward a high school diploma. Grants are to be made to school districts and other eligible entities for academic instruction, career counseling, and workforce readiness services. Division staff are included as part of the Operations budget unit.

Revenue Sources and Relationships

The Youth Development Division receives federal Title XX funding from the Department of Human Services for the Youth Investment program which is treated as Other Funds in the Division's budget. The Youth Engagement program receives funding from the Statewide Education Initiatives Account in the Fund for Student Success (FSS). Federal Funds are used for the Juvenile Crime Prevention program and gang-related programs.

Budget Environment

The Division serves school-aged youth and young adults who are encountering barriers to school and career success by funding community-based programs and services that help young people build social/emotional skills and competencies. Programs and services are provided in school, after school, and during the summer, and include mentoring, tutoring, STEM programs, workforce training, and family supports. Research shows that intervening to keep young people engaged - and reengaging those who are disconnected from school - improves their future outcomes through reducing the risk of justice system involvement, increasing economic productivity, and lowering social services costs. Investments are prioritized based on community need and on programming based on proven practices; grants are awarded based on the ability of the grantee to meet specific deliverables through a set of criteria based on the overall goal of reconnecting youth with education and the work force, as well as addressing youth violence and crime. There are currently six general grant streams as part of this programing – Youth and Community grants, Youth and Innovation grants, Gang Prevention grants, Community Schools, Youth reengagement grants and Juvenile Crime Prevention grants.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Youth Development Division's Grant-in-Aid programs is $17.3 million General Fund and $40.7 million total funds. This represents a decrease from 2021-23 funding levels of 13.5% and 5.3%, respectively. The decrease in both General Fund and total funds is driven by the phase-out of $3.3 million General Fund provided on a one-time basis in the 2021-23 biennium for the Future Ready Oregon program, and the phase-out of $2 million General Fund for the East Metro Outreach, Prevention, and Intervention (EMOPI) program. For the 2023-25 biennium, $2 million General Fund was provided once again for the EMOPI program; and $6.7 million Other Funds expenditure limitation was provided on a one-time basis for the Future Ready Oregon program.

Funding for the various programs in this budget unit are detailed in the following table.

Youth Development Grant-in-Aid Programs - *dollars in millions*	**2021-23 Legislatively Approved Budget**			**2023-25 Current Service Level Budget**			**2023-25 Legislatively Adopted Budget**		
	GF	**OF/FSS**	**FF**	**GF**	**OF/FSS**	**FF**	**GF**	**OF/FSS**	**FF**
Juvenile Crime Prevention	6.37	-	1.26	6.64	-	1.31	6.64	-	1.31
Gang Prevention & Intervention Grants	0.81	-	-	0.85	-	-	2.85	-	-
Youth Reengagement (HB 5047)	-	8.34	-	-	8.69	-	-	8.69	-
Youth & Community	3.99	6.07	-	4.15	6.33	-	4.15	6.33	-
Youth & Innovation	3.43	-	-	3.58	-	-	3.58	-	-
Future Ready Oregon		7.00		-	-	-	-	6.74	-
Community Schools	5.31	0.26		0.11	0.27	-	0.11	0.27	-
Other Small Grants	0.11	-	-	-	-	-	-	-	-

School Facilities and Debt Service

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	31,114,252	46,685,982	64,206,661	53,345,161
Lottery Funds	692,867	--	3,481,660	3,227,390
Other Funds	124,483,187	298,234,015	--	368,968,610
Total Funds	**156,290,306**	**344,919,997**	**67,688,321**	**425,541,161**

Program Description

This budget area includes debt service and expenditure limitation related to bonds issued by the state on behalf of the agency and school districts. Almost all General Fund represents the debt service required to pay off Article XI-P general obligation bonds issued through the Oregon School Capital Improvement Matching program (OSCIM). This program provides matching grants to school districts for capital costs including construction, improvement, remodeling, equipment purchase, maintenance, and repair of facilities. Districts must match the state grants with funds from local voter-approved bonds, and grants are capped at $12 million. Almost all Other Funds expenditure limitation represents bond proceeds which are paid to districts as grants or special payments. These bond proceeds are authorized with two-year expenditure limitation, so new expenditure limitation must be approved for any unspent proceeds from a previous biennium. The amount of expenditure limitation associated with new bond sales for 2023-25 is $100 million; the amount of expenditure limitation for bond sales in prior biennia is $242,500,000. Staffing for this program is through the Office of School Facilities and is part of the Operations budget unit. In addition, Article XI-Q bonds have been issued for deferred maintenance and improvements at the Oregon School for the Deaf.

The Lottery Funds shown in the table for the 2019-21 biennium paid the debt service for bonds approved by voters in November 1997 and issued in Spring 1999, as well as $127 million of bonds approved by the 1999 Legislative Assembly and issued in 1999-2001 for state education projects as defined in HB 2567 (1999). Funds provided to districts from the bond proceeds were intended for the acquisition, construction, remodeling, maintenance, or repair of school facilities. Schools also could use the proceeds for certain operational expenses, such as textbooks, computers, and instructional training. These bonds were entirely paid off during the 2019-21 biennium.

In the 2023-25 legislatively adopted budget there is $15 million in Lottery Bond proceeds which was deposited in the Connecting Oregon School Fund (COSF) for improved broadband coverage, expanding Internet connectivity in schools, and maximizing the use of available federal resources through the E-Rate program. This federal program provides funding (generally between 60% and 80% of project costs) for new or improved existing Internet connectivity for schools. ODE will provide additional grants to school districts from the COSF for up to 10% of project costs to further leverage federal funding. In many cases, the additional state grant resources and federal funding will pay for an entire project without any local contribution from the district.

Revenue Sources and Relationships

Revenues for the OSCIM program grants come from the sales proceeds of Article XI-P bonds; revenues for the Connecting Oregon Schools Fund comes from the sales proceeds of Lottery bonds. Article XI-Q bonds are issued for capital maintenance and repairs needed at the state-owned Oregon School for the Deaf.

Legislatively Adopted Budget

The 2023-25 legislatively adopted General Fund budget of $53.3 million represents the payments required for debt service on previously issued Article XI-P bonds for the OSCIM program and Article XI-Q bonds for the School for the Deaf. The budget has been adjusted to reflect the latest projections of interest earnings and biennial payment obligations. $3.2 million of Lottery Funds is for debt service on Lottery Bonds issued for the Connecting Oregon Schools broadband grants.

The Other Funds expenditure limitation of $369 million includes $100 million for newly approved XI-P bonds proceeds under the OSCIM program and an estimated $242.5 million in grants to be paid out to school districts from bond proceeds approved in previous biennia. Accessibility and other projects at the Oregon School for the Deaf accounts for $3.5 million Other Funds expenditure limitation. $15 million in Other Funds expenditure limitation represents new Lottery Bond authorization for the broadband program described above; and the remaining $7,968,810 pays for debt service.

Common School Fund Distributions

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds (NL)	115,041,594	136,400,682	159,996,772	159,996,772
Total Funds	**115,041,594**	**136,400,682**	**159,996,772**	**159,996,772**

Program Description

This program reflects the transfer of Common School Fund (CSF) distributions from the Department of State Lands (DSL) to the Oregon Department of Education for distribution to K-12 school districts. Previously, DSL distributed these funds to county treasurers, who in turn made payments to school districts. In 2005, the Superintendent of Public Instruction became responsible for making these distributions to the districts, and they are now considered local revenues for the purposes of the school funding distribution formula. The basis of the distribution to districts is a two-step process – first a distribution on a county level based on the number of persons between the ages of four to twenty, and then among the districts in each county, based on the number of county resident students attending school districts in that county.

Budget Environment

The annual CSF distribution to the Department of Education is a regularly calculated amount at each calendar year-end to be paid during the next fiscal year. The calculation is based on a 3-year rolling average of the calendar year-end market value of the CSF portfolio (not including unrealized gains or losses) and is based on a certain distribution rate as determined by the State Land Board. Historical distribution rates have varied over the past several years and on occasion, the State Land Board approved “extra” distributions to be paid. Since 2009, the policy has been that the distribution rate would be 4% unless the 3-year rolling average market value increased 11% or more than the previous measurement date. If the 3- year rolling average increased 11% or more, then the distribution rate would be 5% percent. In June 2018, the Land Board approved the maximum distribution rate to be 3.5% of the 3-year rolling average market value of the Common School fund portfolio, currently valued at approximately $2.1 billion.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $160 million Other Funds Nonlimited is based on a 3.5% distribution. There is no assumption that the distribution will be at a higher rate at this time; the amount may be adjusted later in the biennium as actual amounts are distributed.

STATE SCHOOL FUND

Analyst: Neburka

State School Fund Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	7,532,181,896	7,890,603,299	8,074,344,500	8,852,568,809
Lottery Funds	730,467,530	650,508,965	646,538,037	604,125,973
Other Funds	697,035,826	758,887,736	796,834,736	743,305,218
Total Funds	**8,959,685,252**	**9,300,000,000**	**9,517,717,273**	**10,200,000,000**

Program Description

The Oregon Constitution directs the Legislature to “provide by law for the establishment of a uniform and general system of common schools.” Most state support for K-12 school districts and education service districts (ESDs) is provided through the State School Fund (SSF) and represents the state’s share of the amount distributed through the school equalization formula for primary education. The Oregon Department of Education (ODE) makes distributions from the State School Fund to school districts and ESDs that meet all legal requirements.

The largest expenditures from the SSF are for distribution through the equalization formula to 197 school districts (95.5% of the net distribution) and 19 ESDs (4.5% of net distribution). These distributions include pass-through funding to charter schools. Certain statutorily defined distributions, or “carve-outs”, are made from the SSF prior to those for school districts and ESDs; and include the High-Cost Disabilities Account, English Language Learners grants, ESD testing or assessment contracts, Talented and Gifted (TAG) programs, funding for speech language pathologists, and funding for the Educator Advancement Council. SSF resources are also allocated for educational services for students in Youth Corrections and Juvenile Detention programs, the Oregon School for the Deaf, and long-term care and treatment facilities and hospitals. Two new carveouts were established during the 2023 legislative session, one for a school safety and emergency management program (SB 1002), and the other to provide state matching funds for the federally funded Oregon Youth Challenge Program (SB 1034).

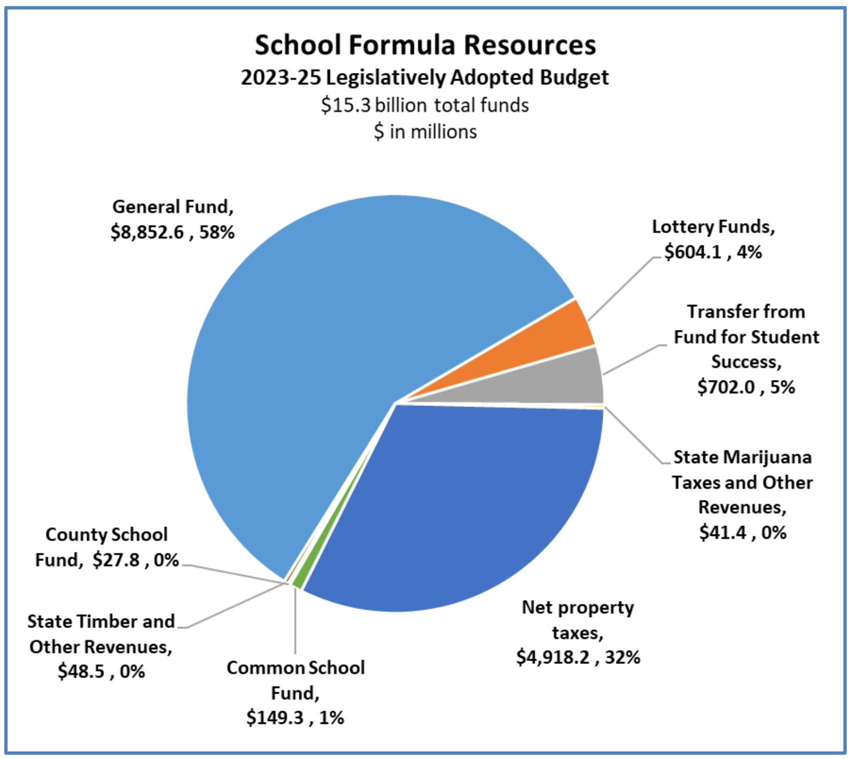
Allocations to school districts and ESDs are calculated by a statutorily prescribed distribution formula based on numbers of students, additional weighting reflecting specific education costs (e.g., poverty, special education, and remote rural schools), teacher experience, and local revenue resources. This formula was designed to equalize funding allocations to schools on a per-student basis, regardless of the availability of local revenues. Districts may also have local option levies for which the state may provide “equalization” assistance if the district qualifies. The SSF also provides funding for transportation grants for school districts, based on a district’s eligible transportation costs compared with other districts. If a district’s costs are ranked in the top 10% of all districts, 90% of the eligible costs are covered; for the next 10% of schools, 80% of costs are covered; and for all other districts, 70% of the costs are covered. While the SSF and related formula distribution provides the largest share of resources for school districts and ESDs, ODE is projected to distribute another approximately $4.4 billion of federal and state funding through grant-in-aid programs for various purposes including child nutrition, special education, specialized education initiatives, educator professional development, and compensatory education programs. This amount includes $1.7 billion in funding available through the Student Success Act. The grant-in-aid total includes $529.7 million in remaining COVID related federal funding, available on a one-time basis in the 2023-25 biennium.

Revenue Sources and Relationships

In 1990, voters approved Ballot Measure 5 that significantly altered the state-local school finance structure. Measure 5 phased in property tax limits that substantially reduced local property taxes for schools, and the state increased its share of funding and passed a new school equalization formula. By the end of the five-year tax limit phase-in, the state primarily funded the kindergarten through twelfth grade (K-12) school system and significantly limited the ability of local school districts to raise revenues. For 2023-25, the estimated SSF or state share of the distribution amount through the equalization formula for school districts and ESDs represents 66.5% (including carve-outs and distributions) with various local revenues representing the remaining 33.5%. Prior to Measure 5, the state and local percentages were reversed, with the state share representing, on average, about 30%.

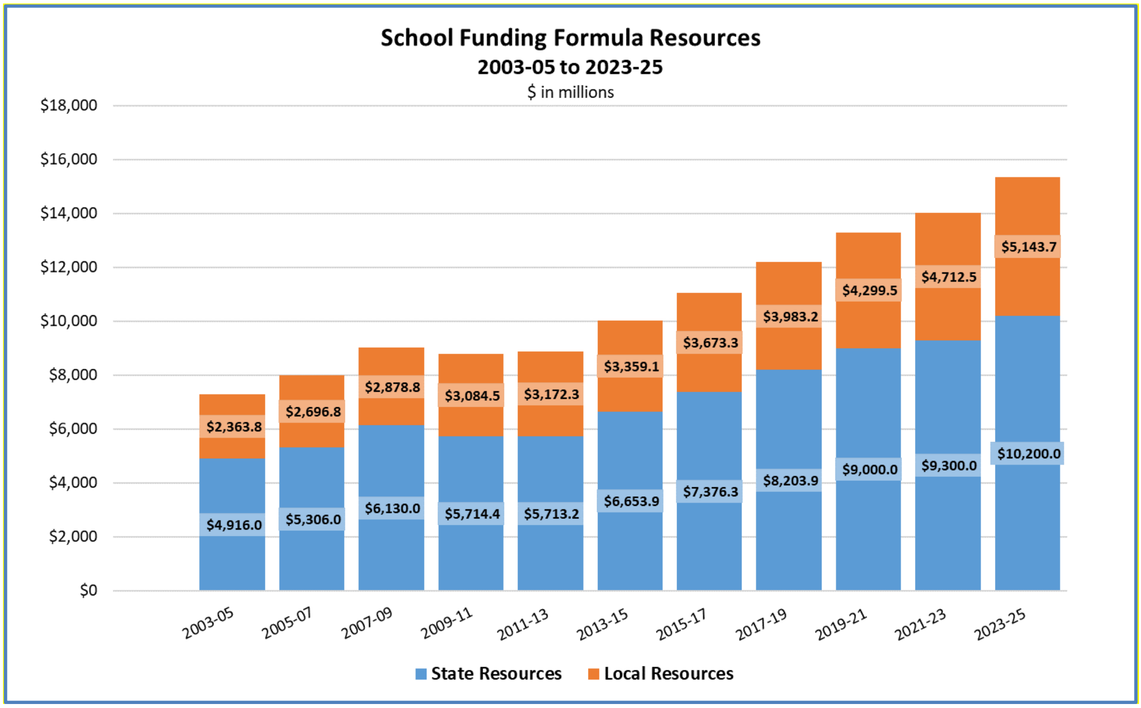
The major fund sources for the SSF budget are General Fund and Lottery Funds. Beginning in 2019-21, Other Funds sources have increased, to $743.3 million in 2023-25. Other Funds revenue sources include receipts from the state timber tax, donations of kicker rebates, expenditure limitation for Local Option Equalization grants, Marijuana Tax resources, and $702 million from the Fund for Student Success. The largest portion of the transfer from the Fund for Student Success ($661.9 million) represents the estimated amount of General Fund resources lost due to income tax rate reductions and other tax changes made by the Student Success Act (HB 3427, 2019). This amount varies with each state revenue forecast and the numbers in the legislatively adopted budget reflect the June 2023 economic and revenue forecast. The remaining amount represents a $40 million biennial allocation from the Fund for Student Success into for the High Cost Disabilities Account. Marijuana Tax revenues increased at the rate of inflation to $41.4 million for 2023-25, the result of the passage of Ballot Measure 110 (2020) which limits the amount of these revenues dedicated to the SSF. In 2019-21, Marijuana Tax revenues accounted for over $100 million of the SSF.

The chart to the right demonstrates the various state and local resources that are part of the calculation of the formula distribution for 2023-25, which totals $15.3 billion. The overall state share decreases slightly from 66.9% for 2021-23 to 66.5% for 2023-25.



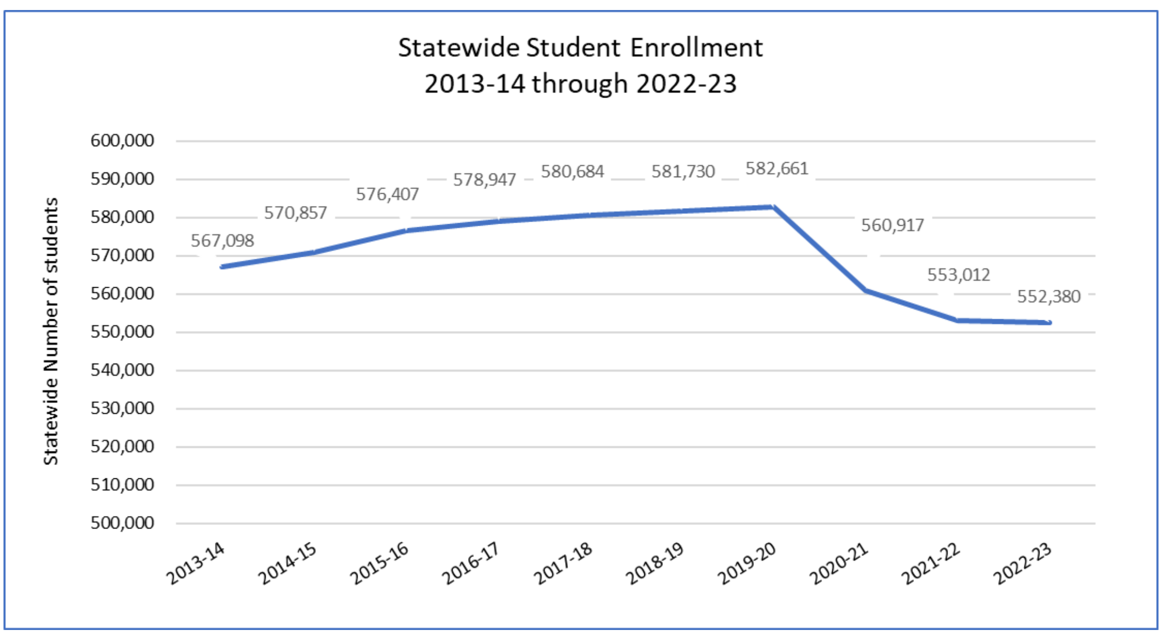
In a biennium when General Fund and other resources are scarce, there are two other resources that may be accessed for school funding. The Education Stability Fund, which originates as Lottery Funds, was accessed for the SSF during the 2007-09, 2009-11, 2011-13, and 2019-21 biennia. The Oregon Rainy Day Fund (General Fund) was used for the SSF in 2009-11. Neither budget stabilization funds are included in the 2023-25 legislatively adopted budget.

As noted above, the bulk of the SSF is distributed to school districts and ESDs through an equalization formula, with the SSF representing the state portion combined with a variety of local revenues. These local revenues include local property taxes, local timber tax revenues, revenue from state managed timber, Common School Fund distributions, payments in-lieu of property taxes, and excess local ESD revenues. The following chart provides historical context for the state/local revenue mix.



Budget Environment

Currently, there are 197 elementary and secondary school districts and 19 education service districts, serving an estimated 544,200 students in grades K-12 in the 2023-24 school year. Overall, weighted ADM or ADMw is estimated at approximately 672,000. Student populations fell statewide during the COVID-19 pandemic, and recent American Community Survey data show that due to net out-migration from Oregon in 2022 and declining birth rates, Oregon's K-12 student population will not recover quickly.



In 2001, the Quality Education Commission (QEC) was established to determine the amount of money needed to ensure that the state's system of kindergarten through grade 12 public education meets statutorily defined quality goals. Additionally, the QEC is charged with identifying best practices that lead to high student performance and the costs of implementing those best practices for K-12; and with issuing a report to the Governor and the Legislative Assembly prior to August 1 of each even-numbered year. This report is required to both identify current practices in the state's K-12 public education system, the costs of continuing those practices, and expected student performance under those practices; and recommend best practices for meeting the quality goals, the costs of implementing best practices, and expected student performance under best practices. The QEC's Quality Education Model (QEM) is the means by which the QEC determines the cost of a quality education. The QEM estimates the total resources needed to fully fund Oregon's educational goals including resources from the State School Fund, local revenues, state and federal grant-in-aid payments including Student Success Act revenues, and other resources.

The Legislative Assembly is responsible under Article VIII, section 8 of the Oregon Constitution to determine, based on the QEC's biennial report, whether or not the Legislature has appropriated a sum of money sufficient to ensure that the state's system of public education meets quality goals established by law. The first QEC report, published for the 1999-2001 biennium, showed a difference between the cost of fully funding K-12 education according to the QEM and the 1999-2001 legislative appropriation for K-12 education to be $1.09 billion, or a "gap" of 23%. While the gap has changed over time, from a high of 38% in the 2011-13 biennium to a low of 6% in the 2021-23 biennium, based on the QEC's reports the Legislative Assembly has never appropriated an amount sufficient to meet quality goals for K-12 education in Oregon.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the SSF is $10.2 billion total funds ($8.852 billion General Fund, $604.1 million Lottery Funds, and $743.3 million Other Funds) which makes up the state portion of the amount distributed to school districts and ESDs through the school funding formula. This 2023-25 SSF budget represents a $900 million, or 9.7%, increase in total funds over the 2021-23 budgeted amount. An estimated $4 million of the SSF is assumed to be the amount needed to cover payments under the Local Option Equalization Grants. The estimated distribution of SSF resources combined with local revenues is outlined in the following table. Some of the items in the table below will change during the biennium as more up-to-date information is available.

Estimated 2023-25 State School Fund & Local Revenues Estimated Distribution *Millions of Dollars*				
State School Fund - Includes General Fund, Lottery Funds, other taxes, and transfers from the Fund for Student Success				**10,200.0**
Less Selected Set-Asides & Carve-outs & Reserve Accounts				**(118.7)**
Small School Supplement - 327.008(19)			(5.00)	
Talented & Gifted - 327.008(15)			(0.35)	
Speech Pathologist - 327.008(16)			(0.15)	
Hospital & Residential Care - 343.243			(26.00)	
Educator Advancement Fund - SSF Share - ORS 327.008(12)(a)			(6.52)	
Local Option Equalization - 327.339 -- Estimate and may change during biennium			(4.00)	
Pediatric Nursing Facilities - ORS 327.008(10)			(5.15)	
English Language Learners - ORS 327.008(13)			(12.50)	
Charter Schools Closure - ORS 327.008(3)			(0.60)	
Office of Educational Facilities (includes Healthy and Safe Schools)			(10.00)	
Feminine Hygiene			(2.60)	
Oregon Digital Learning - HB 5015 (2023)			(1.60)	
Oregon Youth Challenge Program - SB 1034 (2023)			(4.27)	
Reserve Account (distributed to districts later in biennium)			(40.00)	
Estimated Local Formula Revenues (LRO March 2021 Estimate)				**5,143.7**
Net Property Taxes			4,918.17	
Common School Fund			149.27	
County School Fund			27.77	
State Managed Timber			48.46	
All Other			-	
Total Amount to be Distributed to School Districts and ESDs				**15,224.9**
School District Share (95.50%)			14,507.52	
Education Service Districts (4.5%)			717.40	
School District Distribution				
Total Amount Available	14,507.5			
Less Current High Cost Disability Grants	(70.0)			
Less Additional High Cost Disability from the Fund for Student Success	(40.0)			
Less School Safety and Emergency Management Program:	(3.0)			
Less School District Share of Educator Advancement Council	(18.2)	*Grows at rate equal to SSF growth*		
Formula Revenue for Distribution to School Districts		**14,376.3**		
Education Service District Distribution				
Total Amount Available	717.4			
Less 10th Grade Assessment	(1.0)			
Less ESD share of Educator Advancement Council	(18.2)	*Grows at rate equal to SSF growth*		
Formula Revenue for Distribution to ESDs		**698.2**		

There were limited changes to the school funding formula during the 2023 legislative session. Three carve-outs totaling $7.5 million were eliminated: $2.8 million for school lunch subsidies, $3 million for school facilities grants, and $1.6 million for virtual school districts. Two carve-outs totaling $7.3 million were added: $3 million for a school safety and emergency management program, and $4.3 million to match federal funding for the Oregon Youth Challenge Program.

HIGHER EDUCATION COORDINATING COMMISSION

Analyst: To

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	2,154,941,838	2,678,384,871	2,739,901,406	2,909,101,367
Lottery Funds	141,833,001	139,873,506	125,929,646	203,517,893
Other Funds	382,077,715	792,248,461	102,230,822	631,825,903
Other Funds (NL)	954,505,018	154,855,686	194,847,720	194,847,720
Federal Funds	78,564,201	131,016,933	135,765,439	135,687,443
Federal Funds (NL)	8,960,970	24,544,456	24,544,455	24,544,455
Total Funds	**3,720,882,743**	**$3,920,923,913**	**$3,323,219,488**	**$4,099,524,781**
Positions	144	180	157	195
FTE	134.86	160.87	148.94	185.13

Overview

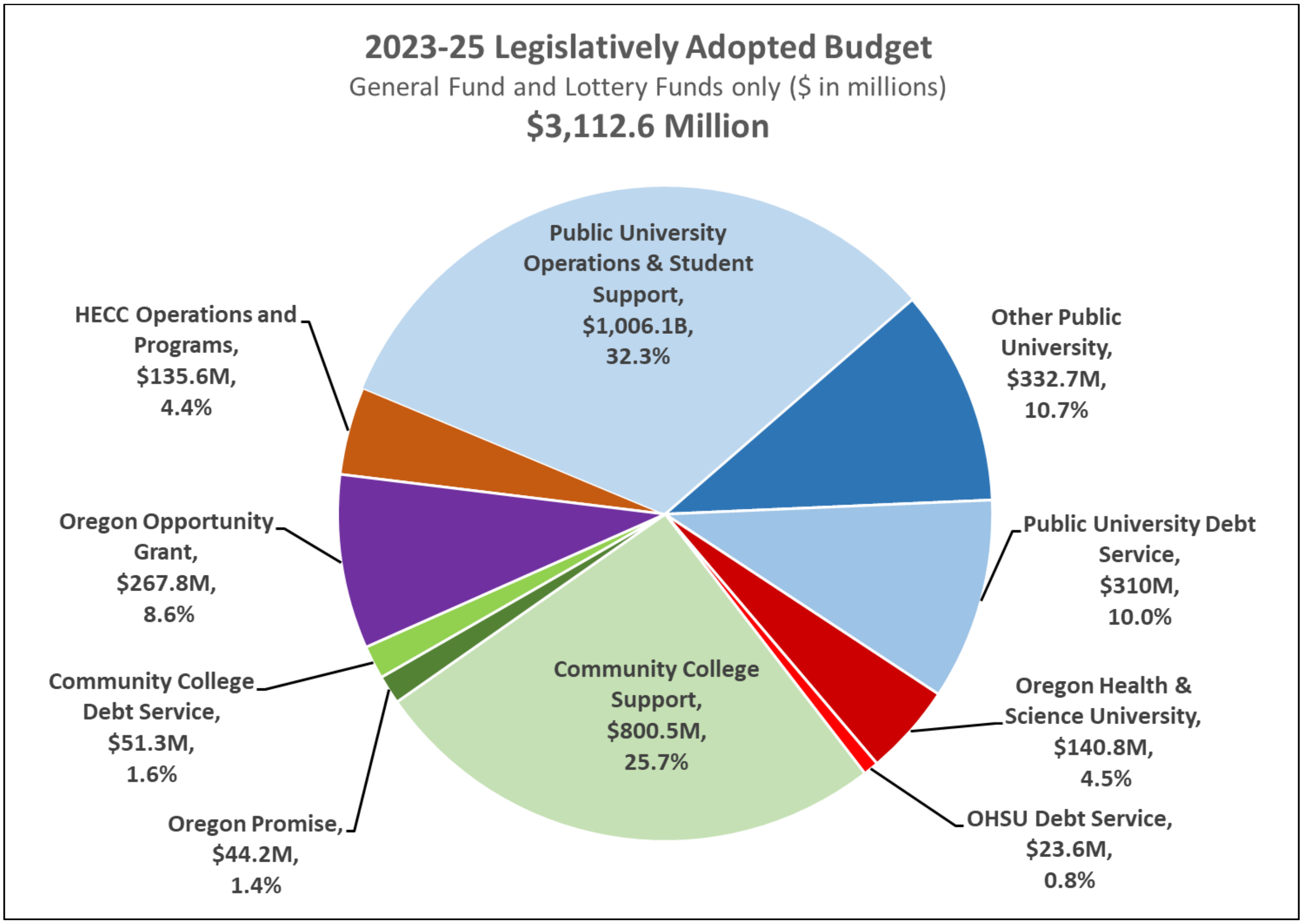
Established in 2011 and vested with its current authorities in 2013, the Higher Education Coordinating Commission (HECC) is the single state commission and agency with coordination and oversight responsibilities for all aspects of postsecondary education in Oregon, including regulation of private career and trade schools, as well as private and independent colleges and universities. The 15-member volunteer Commission, appointed by the Governor and confirmed by the Senate, sets state policy, proposes funding strategies, and convenes partners working across the public and private higher education arena to achieve state postsecondary goals in ensuring student success. The agency determines state funding allocations to public institutions, administers state financial aid and other access programs, approves new degree and certificate programs, licenses and authorizes private post-secondary institutions, collects and reports post-secondary data, and undertakes a variety of other responsibilities to evaluate, facilitate, and guide the success of higher education efforts from the point at which students consider their options for secondary education through the completion of their education and mastering of skills to gain the ability to contribute to the community and economy.

Prior to 2012, multiple separate state entities provided statutory regulation and authorization of higher education in Oregon, including the Superintendent of Public Instruction, the State Board of Higher Education, the Oregon University System (OUS), the Community Colleges and Workforce Development Department (CCWDD), and the Oregon Student Assistance Commission (OSAC). With passage of SB 242 in 2011, the Legislature created HECC to coordinate the state's higher education goals and policy. Passage of SB 270 and HB 3120 in 2013 continued the reconfiguration of Oregon's postsecondary landscape, expanding the authority and duties of HECC. The Commission assumed the responsibilities of OSAC and the State Board of Higher Education relating to the community college system. The functions, duties, and state staff of CCWDD and OSAC were transferred to HECC. Three other programs and their budgets (the Office of Degree Authorization, the Private Career School program, and the Oregon Volunteers Commission) were also transferred to HECC. Public universities were given more independent authority to operate their institutions and the statewide Oregon University System was eliminated.

The HECC budget now includes state funding for: [1] Oregon's 17 community colleges; [2] Oregon's seven public universities; [3] Oregon Health and Science University (OHSU); [4] Oregon Opportunity Grant; as well as [5] HECC agency operations and programs. HECC agency programs include workforce development (e.g., Future Ready Oregon) and state service programs (e.g., Youth Conservation Corps), student access programs (e.g., ASPIRE), and additional student financial aid programs (e.g., Oregon Tribal Student Grant and Oregon National Guard State Tuition Assistance). While funds for community colleges and public universities generally are pass-through, the Commission has a role in determining how the funding is distributed among the individual institutions. Funding for OHSU is a direct pass-through. Below are: [1] a table that divides the 2023-25 legislatively adopted budget into its five major components and [2] a chart showing the distribution of the 2023-25 legislatively adopted budget General Fund and Lottery Funds resources across the major HECC spending areas:

Higher Education Coordinating Commission
2023-25 Legislatively Adopted Budget

	General Funds	Lottery Funds	Other Funds	Federal Funds	Other Funds Non-Limited	Federal Funds Non-Limited	Total Funds	Positions	FTE
State Support to Community Colleges	884,217,413	11,821,800	49,518,492	-	-	-	**945,557,705**		
State Support to Public Universities	1,541,124,087	107,696,093	343,943,219	-	191,199,890	4,008,153	**2,187,971,442**		
State Support to Oregon Health Sciences University	164,367,507	-	7,328,750		3,441,830		**175,138,087**		
Oregon Opportunity Grant	183,776,003	84,000,000	40,623,997				**308,400,000**		
HECC Staff, Operations and Other Programs	135,616,357	-	190,411,445	135,687,443	206,000	20,536,302	**482,457,547**	195	185.13
TOTAL	**2,909,101,367**	**203,517,893**	**631,825,903**	**135,687,443**	**194,847,720**	**24,544,455**	**4,099,524,781**	**195**	**185**



In addition to General Fund and Lottery Funds, the HECC budget also includes a combination of Other Funds, and Federal Funds.

General Fund provides resources for agency operations, support for community colleges and public universities, the Opportunity Grant program, Oregon Promise, Oregon National Guard State Tuition Assistance, the Oregon Tribal Student Grant program, support for Oregon Health and Sciences University, workforce initiatives, and debt service. Lottery Funds are used by the Oregon Student Access and Completion (OSAC) Division for the Oregon Opportunity Grant, and by the Post-Secondary Finance and Capital Division for Extension Service Outdoor School Program available through the passage of Ballot Measure 99 in 2016, intercollegiate athletics through the Sports Lottery program, and Institution Debt Service.

Federal Funds support Community Colleges and Workforce, Workforce Investments, and Post-Secondary Finance and Capital programs. Major sources of Federal Fund revenues are the U.S. Department of Labor and U.S. Department of Education. The Workforce Innovation and Opportunity Act (formerly the Workforce Investment Act) provides the largest source of funds under the following federal programs: Title I-B supporting youth, adult, and dislocated worker training programs through the state's One Stop Centers; Title II funds adult basic education programs; and National Emergency Grants offer training and reemployment services to workers in areas facing large layoffs. Other federal grant programs include Perkins Grants for career and technical education transferred from the Oregon Department of Education and Bureau of Land Management grants for youth employment opportunities through the Oregon Youth Conservation Corps. Grants from the Corporation for National and Community Service provide funding to the Oregon Volunteer Commission as part of the AmeriCorps program.

Other Funds limited revenue supports Community Colleges and Workforce, Workforce Investments, Oregon Student Access and Completion, Academic Policy and Authorization, and Post-Secondary Finance and Capital programs. Major sources of Other Funds revenues come from donations, fees, taxes, grants, and transfers from other state agencies. The Degree Authorization (DA), Private Careers Schools (PCS), and General Education Development (GED) programs are permitted to charge fees to authorize post-secondary institutions, license private career schools, and administer GED testing. The Office of Student Access and Completion administers nearly 600 different public and private scholarships. Administrative fees are charged to donors and granting agencies to cover the cost of operating the programs. Most of the Other Funds revenue supporting the Oregon Youth Corps (OYC) come from the Amusement Device Tax on video lottery terminals. OYC also receives grants from the Oregon Marine Board and other agencies. Until the tax credits sunset on January 1, 2024, the Oregon Opportunity Grant program receives Other Funds revenue from the auction of tax credits. In addition, community colleges annually receive a small amount of timber tax revenue from the Oregon Department of Revenue. It is distributed in equal shares to all 17 colleges. The revenue is generated by a natural resources tax resulting from logging activity on state lands. Other Funds also reflect roughly $112 million in carryforward American Rescue Plan Act (ARPA) funding for continued implementation of Future Ready Oregon.

Other Funds and Federal Funds Nonlimited in HECC's budget consists of expenditure authority to allow HECC to receive debt service payments from the public universities on general obligation bonds and Certificates of Participation that are repaid with institutional funds, as well as Build America Bond federal subsidy payments.

Legislatively Adopted Budget

The 2023-25 combined General Fund and Lottery Funds legislatively adopted budget of $3,112,619,260 is $294,360,883, or 10.4%, greater than the 2021-23 legislatively approved budget. The growth is due to several factors including growth in the Public University Support Fund and Community College Support Fund, an expansion of the Oregon Opportunity Grant, and several new initiatives, including:

- $24.2 million General Fund to support the Oregon Tribal Student Grant program on a continuing basis.
- $800,000 General Fund increase for the Oregon National Guard State Tuition Assistance (ONGSTA) program. This increase brings total support for ONGSTA to $5,119,455 General Fund.
- $6.2 million General Fund to disburse to Portland State University (PSU) and Oregon's Technical Regional Universities (Oregon Institute of Technology, Southern Oregon University, Eastern Oregon University, and Western Oregon University) to expend on innovative proof-of-concept efforts to realign institutional offerings and resources with current and emerging enrollment and economic realities.
- $10 million to be distributed proportionately based on current service level funding to each of the three Statewide Public Service Programs - the Agricultural Experimental Station, Extension Service, and Forest Research Laboratory.
- $2 million to OSU Extension Service to support OSU College of Agricultural Sciences Center for Small Farms and Community Food Systems to work with agricultural producers to support and expand organic agriculture sectors.

- $6.8 million General Fund for the Strong Start program.
- $5.4 million to OHSU to continue State support of the Oregon Behavioral Health Coordination Center which serves as a hub for information on acute and residential behavioral health services across Oregon, including providing real-time data on facility capacity and placement options for patients.
- $5 million to distribute $1 million each to five organizations (AVID, ASPIRE, College Possible, Oregon TRIO, and Build EXITO) that assist students in planning for post-secondary education.
- $112 million in ARPA carryforward to continue the implementation Future Ready Oregon.

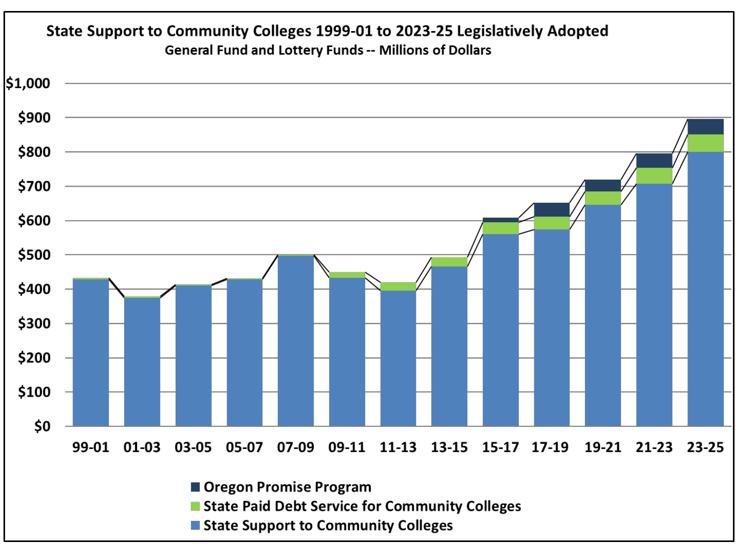
Overall, the 2023-25 total funds higher education budget is $4,099,524,781, an increase of $178,600,868, or 4.6%, from the 2021-23 legislatively approved budget. Comparing total funds changes across biennia is more difficult given the effect that changes in capital construction expenditure limitation has on the budget. Much of the $160,422,558 decrease in total funds budget for 2023-25 is due to the refunding of existing bonds issued on behalf of public universities and community colleges. Detailed information on the budget is included in the following information on the various budget units of the overall HECC budget.

State Support to Community Colleges

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	708,004,496	784,596,433	852,605,496	884,217,413
Lottery Funds	11,277,634	11,833,547	11,821,800	11,821,800
Other Funds	26,211,601	68,185,966	10,963,492	49,518,492
Total Funds	**$745,493,731**	**$864,615,946**	**$875,390,788**	**$945,557,705**

Program Description

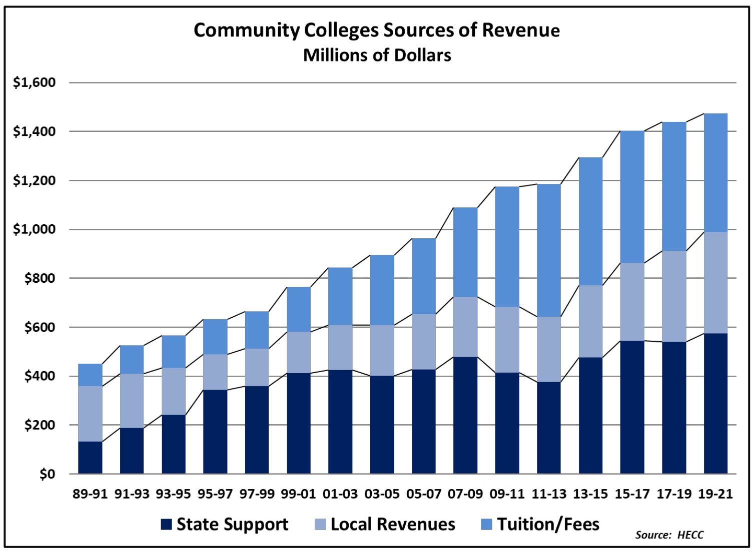
This program area represents support funds distributed to Oregon's 17 community colleges, debt service payments on state issued bonds for community college facilities, capital construction, and payments for programs that benefit community colleges and their students. This budget area includes the Oregon Promise Program, which is available to community colleges students but administered through the Office of Student Access and Completion. The following chart shows the General Fund and Lottery Funds over time for this program area:



Revenue Sources and Relationships

Other Funds reflect receipts from the state timber tax and are distributed through the Community College Support Fund. Community colleges also collect property taxes to fund operations. These taxes do not flow through the state budget and are not included in any budget figures identified here but are a factor in the distribution of the state funding for community colleges. Approximately $455.5 million of property tax collections are projected by the Legislative Revenue Office (April 2023 forecast) to be available for community colleges operations in 2023-25, up from an estimated $418.8 million in the 2019-21 biennium. The other major source of resources for the general operational costs of community colleges is tuition and fee revenues, which also do not flow through the state budget.

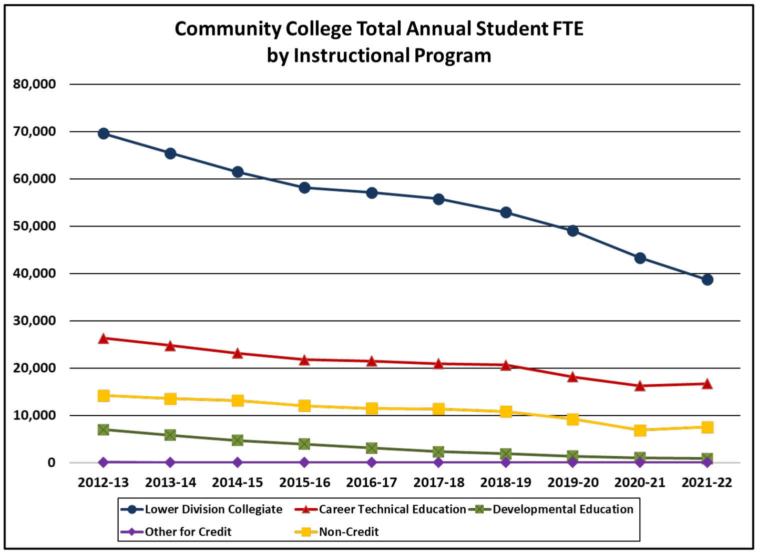
The mix of general-purpose funding for community colleges from state support, property taxes, and tuition and fees has changed over the past 30 plus years. The following chart shows the source of revenues for the period 1989-91 through 2019-21 and demonstrates that despite growth in both state support and local revenues, community colleges are depending more on tuition and fees. During this period, the state support share of operations funding has decreased from its peak of 54.5% in 1995-97, to its lowest share of 31.6% in 2011-13 and then increased back to 39% in 2019-21. Tuition and fees have become more and more important, growing from its lowest share of 20.3% of all support in 1989-91 to its highest share of 45.8% in 2011-13, before falling back to 33% for 2019-21. The share of support from property taxes has decreased from its peak at 50.3% in 1989-91 to its lowest share of 21.9% in 2001-3, remaining relatively stable in the 22% range from 2003-5 through 2015-17, before increasing to 28% in 2019-21.



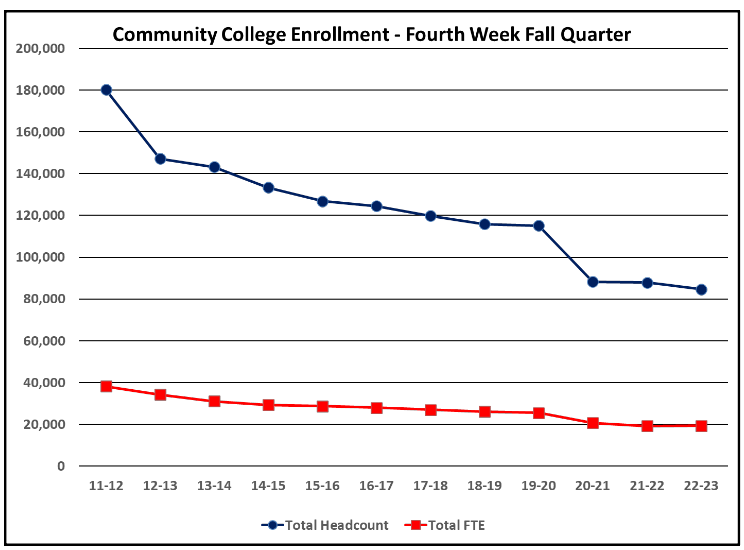
Community College Support Fund and Other Programs: $800,306,000 General Fund

This budget area primarily consists of payments to community colleges for the general education and student support functions of community colleges. By far, the largest program is the Community College Support Fund (CCSF) which is the state's primary direct funding contribution for college operations.

Historically, the Community College Support Fund has been distributed primarily on an adjusted enrollment basis, with a funding floor or base amount for smaller community colleges. Up to 3.6% of the total funds available have been set aside in the past for statewide initiatives and activities, as well as requests from individual community colleges for assistance in meeting new requirements and expectations. Generally, colleges receive funding for their full-time equivalent (FTE) enrollments in Lower Division Collegiate, Career Technical, Developmental Education, and certain Adult Continuing Education courses. Lower Division Collegiate courses are similar to the offerings of the first two years of four-year institutions and carry regular college credit. Career Technical courses generally lead to a certificate or associate degree in a professional program. Developmental Education includes Adult Basic Education, English as a Second Language, GED and Adult High School programs, and post-secondary remedial courses. Adult Continuing Education courses aid in student self-development, but do not lead to a degree. Enrollment in "hobby" and recreational courses do not factor into the distribution formula. New applied baccalaureate programs authorized in SB 3 (2019) also do not factor into the distribution formular. The following chart demonstrates the number of student FTE by each type of student.



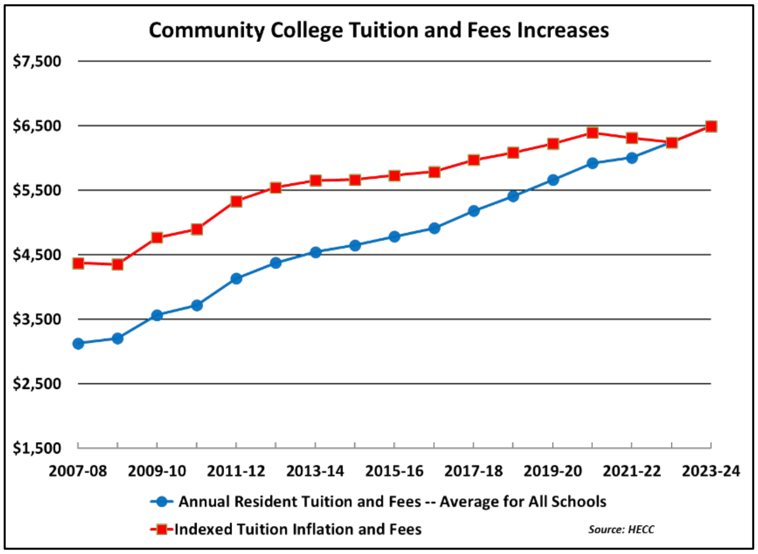
As demonstrated in the following Fourth Week Fall Quarter graph, between the 2012-13 and 2022-23 academic years, full-time student equivalent (FTE) enrollment at community colleges decreased by over 14,936 or 43.6%. For the same period, the headcount fell by 62,479 or 42.4%. The 2012-13 academic year represented the enrollment peak, up to that point enrollment had been growing (as shown by the FTE count), but because of the economic recession more people had been enrolling in community college. Many have asserted that this growth was largely due to the unemployed and underemployed returning to school to attain new skills and post-secondary degrees and certificates. As the economy improved after the recession and the number of jobs increased, both the FTE count and headcount have fallen off. The same pattern can be seen in the graph above on the type of student by instructional program. This data measures at the fourth week of the Fall term, the end of each term, and at the end of the school year. As the academic year progresses these numbers often decrease as students drop out prior to the end of the term and the end of the school year. This graph also shows the impact of the pandemic on enrollment, with a significant drop for the 2020-21 academic year. Although enrollment has been rising post pandemic, it remains lower than pre-pandemic levels.



The level of funding for the Community College Support Fund is not dependent on the number of students attending Community Colleges. Funding in 2011-13 was approximately $395 million and enrollment was 38,193 in

2011-12. Funding for 2021-23 was higher at $699 million, but the FTE count at 19,348 in 2021-22 school year was less than what it was in 2011-13. Funding for 2023-25 is $795 million and the FTE count is 19,348.

Tuition and fees at community colleges continues to increase. The following chart shows that combined tuition and fees have climbed steadily between the 2007-08 and 2023-24 school years, increasing by just over 140% from $2,441 to $5,962. The red line displays the tuition and fees adjusted for inflation using the Higher Education Cost Adjustments (HECA) index. Tuition growth was especially prevalent from 2008-09 to 2012-13 when the increases in the Community College Support Fund contributions were smaller or actually decreased each year due to the economic recession.



HECC has the authority to adopt rules for distributing appropriations made to support postsecondary education including the Community College Support Fund. Since 2005, the distribution model has been largely unchanged. The funding is generally distributed based on student FTE and the availability of local resources, primarily property taxes. A year-long formula review process concluded during spring of 2023. The 26-member Community College Support Fund Formula Review Workgroup was charged with the review and examination of Oregon's existing formula to consider alternative models based on access, equity, and stability. The Workgroup recommended and HECC adopted a redesigned funding formula that maintains much of the existing design while adding two student-focused components: one for student support and one for student success. Under the new formula, up to 10% in state funding will be distributed to community colleges by weighing the number of underserved students they enroll and by looking at student outcomes, such as the completion of a certain number of credits, completion of specific courses and earning credentials. Underserved student populations include people who come from low-income households, people who are 25 years of age or older, students in career technical education or workforce training programs and students of color. The new formula will result in slight changes in funding distribution for all community colleges. According to HECC projections, most colleges will likely see less than a percentage point increase or decrease in the usual distribution of money they get from the state. During 2024-25, the proposed first year of implementation an estimated $377 million (half of the estimated 2023-25 biennial appropriation minus set asides) in state funding will be available for distribution to the colleges. Of that amount, $12.5 million will be made available for student support and success.

Legislatively Adopted Budget

The $800,306,000 General Fund appropriated for the community college support fund and other programs in the 2023-25 legislatively adopted budget represents a $92,455,937, or 13.1%, increase over the 2021-23 legislatively approved budget. As itemized in the table below, this budget includes funding for the community college distribution model as well as categorical set asides:

- Community College Services for Adults in Custody - for distribution to the colleges who provide educational services for adults in custody. Other Funds reflect funding from the Department of Corrections.
- Contracts Out-of-District programs - allows students not in a service district to take courses in a neighboring district. The offering district is reimbursed based on the average formula funding per FTE.
- Distance Learning - to increase the capacity and quality of distance learning programs in all districts.
- Strategic Fund - for statewide initiatives and for the colleges to meet new legislative requirements. The HECC established the percentage of CCSF, currently 0.75%, used for the fund.
- Student Support and Success - provides additional resources to support traditionally underrepresented students with high barriers to success. The amount will eventually be 5% of the total CCSF.
- Student Success - to incentivize progression toward and completion of credentials in alignment with existing state higher education goals. The amount will eventually be 5% of the total CCSF.

Funding for the set asides is distributed by HECC via grant agreement throughout the biennium. Funding for the distribution model is distributed by HECC in eight payments with five in the first year of the biennium and three in the second year of the biennium. Two of the eight payments in the first year occur in the first quarter of the biennium. There is no payment in the last quarter of the biennium. Any remaining set aside funding at the end of the biennium is allocated to the colleges through the distribution model.

Also included are funding for the following programs:

- Skills Centers - payments to support the Sabin-Schellenberg Professional Technical Center in Milwaukie and the Margaret Carter Skills Center at Portland Community College.
- First Generation Students Grant - to increase the number of underserved, low-income, and first-generation community college students as required by HB 3063 (2015).
- College-in-Prison Courses Bridge Funding - this investment provides $306,000 General Fund appropriation for HECC to distribute to Portland State University, Portland Community College, Chemeketa Community College, Treasure Valley Community College, and Central Oregon Community College to provide bridge funding for delivery of college-in-prison courses for the 2023-24 academic year.

State Support for Community Colleges
2023-25 Legislatively Adopted Budget

	General Fund	Lottery Funds	Other Funds	Total Funds
Community College Support Fund (CCSF)				
Distribution Model	771,752,952	-	98,626	**771,851,578**
Community College Services for Adults in Custody	2,803,615	-	10,864,866	**13,668,481**
Contracts Out-of-District (COD) Programs	300,000	-	-	**300,000**
Distance Learning	2,281,934	-	-	**2,281,934**
Strategic Fund	5,967,042	-	-	**5,967,042**
Student Support and Success	12,500,000	-	-	**12,500,000**
Carter Skills Center	351,557	-	-	**351,557**
Schellenberg Skills Centers	351,557	-	-	**351,557**
First Generation Students Grant Program	3,691,343	-	-	**3,691,343**
College-in-Prison Courses Bridge Funding	306,000	-	-	**306,000**
	800,306,000	**-**	**10,963,492**	**811,269,492**
Debt Service	39,658,732	11,821,800	1,055,000	**52,535,532**
Capital Construction	-	-	37,500,000	**37,500,000**
Oregon Promise Program	44,252,681	-	-	**44,252,681**
TOTAL STATE SUPPORT FOR COMMUNITY COLLEGES	**884,217,413**	**11,821,800**	**49,518,492**	**945,557,705**

Despite the increase of $32 million above current service level to bring the CCSF to $800 million, tuition is expected to continue to increase for community colleges for the 2023-24 school year by an average of 4%. Only one (Rogue) is expected to have no change. Clatsop is anticipating an increase of 12%, Umpqua by 8%, Linn-Benton by 7%, Central Oregon by 6%, with the remaining colleges increasing tuition between 1% and 5%.

Oregon Promise Program: $44,252,681 General Fund

In 2015, the Legislature passed SB 81 which established the Oregon Promise program designed for recent Oregon high school and GED (Graduate Equivalency Degree or General Education Diploma) test graduates to attend community college. With the goal of increasing enrollment, completion, and affordability, the program was implemented in the second year of the 2015-17 biennium and provided grants to offset tuition for eligible students for up to 90 college credits. Eligible students must meet a set of criteria including: [1] first enrolling in the program within six months of high school graduation or completing the requirements for a diploma (specific exceptions to this requirement exist); [2] accepting all state and financial aid; [3] maintaining a minimum level of GPA; [4] being at least a half-time student; and [5] being enrolled in a degree or certificate program, or a program leading to a transfer to another post-secondary institution. Grants range from $1,000 to over $4,000 per year for full-time students, less the $50 student co-pay per year. The maximum grant also depends on the tuition charged by the specific community college. If tuition is more than the average tuition of all 17 community colleges, the maximum grant is the amount of the average. The program covers the average cost of 12 credits of tuition.

While this program is designed to serve all those that are eligible, this does direct more funding to students from households with higher incomes. For example, in 2020-21, Oregon Promise grants range from $1,000 to $4,005 per year for full-time students, less a $50 student co-pay per term. The award amount depends on a student's remaining financial need to cover average tuition costs after other state and federal grants have been applied. If a student's tuition is covered in full by other public grants, the student receives the minimum $1,000 award. When combined with the Oregon Opportunity Grant, Oregon Promise students from the lowest-income families receive a total of $3,778 from these two State grants, compared with $4,005 for Oregon Promise students from middle- and higher-income families.

This is because the program is a "last dollar" program meaning all applicants must first access all available state and federal financial assistance. Lower income applicants can access PELL grants, the Oregon Opportunity Grant, and other programs, while applicants from those households with higher incomes generally do not or cannot access those programs. While more than half of the participants are low-income, 80% of the program dollars went to students from higher income households. In the past, eligibility has been limited based on the level of Expected Family Contributions or EFC (a measure used on the FAFSA). A maximum EFC of $42,000 was in place for the class of 2021, but the funding level of the program for 2021-23 proved sufficient to allow the agency to decide to eliminate the limit. HECC will continue to propose program changes to Oregon Promise as well as other programs to provide equity in the programs.

Since this program is relatively new, projecting participation and costs can be difficult. Several factors contribute to the difficulty in estimating the required resources including participation rates, the rate that recipients continue from one quarter or year to another, the proportion of part-time and full-time students, and the outside job market. The 2019 Legislature passed HB 2910 which expanded eligibility for the Oregon Promise program to include those individuals who completed certain educational requirements while serving in a correctional facility and who enroll at a community college within six months after release.

SB 1605 (2020) expanded eligibility to support eligible Oregon foster youth who obtain their high school diploma or GED test credential while in out-of-state placements. SB 1522 (2021) implemented equity-focused changes starting the 2022-23 academic year. The GPA requirement has been lowered to a cumulative, unweighted 2.0 GPA, the $50 per term co-pay has been removed, and the minimum award will increase from $1,000 to $2,000 for full-time, full-year students, and it will increase at the same rate as the maximum award each year. Also, the First-Year Experience will no longer be a requirement to renew the Oregon Promise Grant.

Based on the first five-years of the program, about 77% of the students that are authorized for the program participate in the program annually. Roughly 75% of the participants complete their enrollment requirements of being enrolled for at least six credits in all three terms of the school year. About 70% of the participants re-enroll in the next school year. In the first three years of the program, 81% of the participants were full-time students (12+ credits) and 19% were part-time students (less than 6 credits).

According to the HECC 2022 biennial evaluation report of the Oregon Promise Grant program, based on statewide enrollment rates of high school graduates before and after the program, enrolment rates rose in the first two years of the program, but declined in the last four years. Although the number of cohorts and years available are still limited because this program is relatively new, early data also found no lasting increases in completion rates coinciding with implementation of the Oregon Promise program.

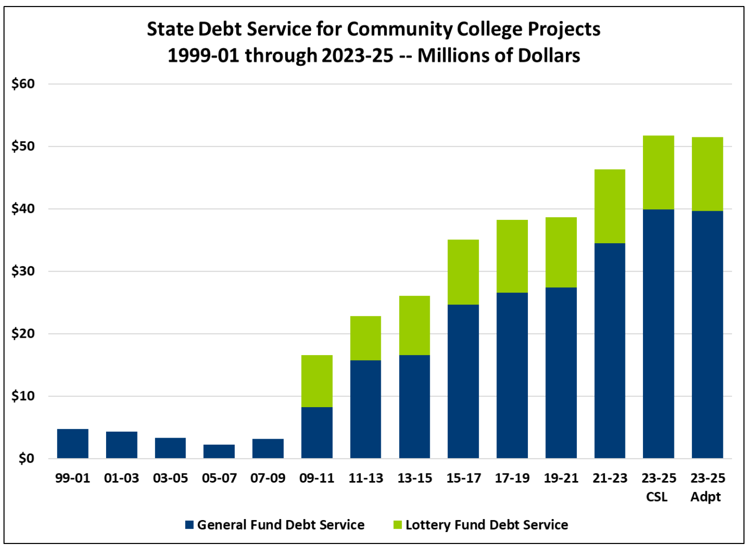
<u>Legislatively Adopted Budget</u>

The 2023-25 budget for the Oregon Promise program is $44,252,681 General Fund. This represents a $2,018,280, or 4.8%, increase from the 2021-23 legislatively approved budget. Each spring, OSAC determines the EFC limit based on applicant volume and available funds. At this time, there is not the expectation of any EFC or Student Aid Index based limitation for the program in the 2023-25 biennium. Based on the budget for the program, the agency projects the average disbursement of award likely will be $2,832 to an estimated 10,400 recipients for the 2023-24 school year. For the 2024-25 school year, awards are expected to range from $2,124 to $4,422 per year with an estimated 10,500 recipients. OSAC reports that the Class of 2023 application and awardee rate is the highest the program has seen post-pandemic, and preliminary numbers show a higher than anticipated number of disbursed students for Fall 2023. As of November 2023, the Class of 2024 is outpacing Class of 2023 on submitting applications. As of November 2023, OSAC has authorized 15,723 students for the 2023-24 academic year. OSAC has disbursed funds to 10,336 students for Fall term, and the estimated total dollar disbursed for fall term is $9,762,041.

Community College Debt Service: $39,658,732 General Fund + $11,821,800 Lottery Funds

The state issues Article XI-G and Lottery backed bonds on behalf of community colleges for specific projects. Community colleges must provide a match equal to at least half of the state's share of the project for the Article XI-G bonds per constitutional requirement. There is no such match requirement for Lottery bonds. Beginning in 2013-15, each community college was to have only one outstanding approved XI-G project, but exceptions to this rule have been granted by the Legislature over the years. Some community colleges have had difficulties gathering the required match under the XI-G program so projects have not been started for years after the initial approval.

As shown in the following chart, since 2007-09, the amount of debt service paid by the state has grown significantly. In the 2007-09 biennium, $53.7 million of XI-G bonds and almost $44 million in Lottery bonds were approved by the Legislature, up significantly from previous biennia. Usually, the sale of the bonds is late in the biennium, so debt service payments start in the next biennium for that set of bonds. Since then, as more projects have been approved, the state supported debt service payments on community college projects has increased from $3.2 million (all General Fund) in 2007-09 to a combined state support total for 2021-23 of $46.3 million.



<u>Legislatively Adopted Budget</u>
The 2023-25 combined General Fund and Lottery Funds budget for debt service on bonds issued on behalf of community colleges totals $51,480,532, which is a $5,135,016, or 11%, increase from the legislatively approved budget for 2021-23. This amount is $215,470 less than the combined total from the 2023-25 current service level because of reductions in estimated debt service due to cancelled projects, updated interest assumptions, and refunding of existing bonds.

Community College Capital Construction: $37,500,000 Other Funds

The state finances bonding for the construction, acquisition, deferred maintenance, and major renovation of community college properties. Many projects that are authorized in one biennium may take more than one biennium to identify the match which is required prior to the sale of state bonds (Article XI-G bonds). Beginning with projects authorized in 2013-15, the expectation is that a community college would not have more than one approved outstanding project awaiting Article XI-G financing. Often when a community college has had trouble identifying the match, a project must be reauthorized, and the six-year limitation is extended to meet the construction schedule.

The number of projects vary from one biennium to another. For 2013-15 and 2017-19, most community colleges received project authority for Article XI-G bonds. In 2015-17, only two new projects were authorized (Portland and Linn-Benton), the other projects were extensions or reauthorizations of previous projects in earlier biennia. For 2019-21, only four community colleges had authorized projects. For 2021-23, six new projects were authorized and three projects were reauthorized.

Legislatively Adopted Budget

A total of $37,500,000 Other Funds Capital Construction limitation (6-year) was included in the 2023-25 legislatively adopted budget for five new college projects. This 6-year expenditure limitation expires on June 30, 2029. Also included in the 2023-25 legislatively adopted budget is $1,055,000 Other Funds limitation for cost of issuance for the five new projects as well as the six reauthorized projects. The table below summarizes the five new projects that were authorized as well as six projects that were reauthorized:

Community College Capital Construction Projects
2023-25 Legislatively Adopted Budget

Project	Community College	Article XI-G Bonds Project Amount	Cost of Issuance
New			
Campus Renovations for Student Safety and Success	Columbia Gorge	5,500,000	95,000
Science, Mathematics, and Engineering Building Renovation	Lane	8,000,000	110,000
Rock Creek Campus Building 2 Complex - Phase I	Portland	8,000,000	110,000
SUCCESS (Student Uplift & Collaboration Create Expanded Support Success) Project	SW Oregon	8,000,000	110,000
Welcome Center & Medical Careers Training Hub	Umpqua	8,000,000	110,000
New		**37,500,000**	**535,000**
Reauthorized			
Building 7 (Physical Education) Remodel	Chemeketa	8,000,000	110,000
Child Care Resource Learning Center	Klamath	1,500,000	35,000
Transportation Technology Center	Rogue	7,000,000	105,000
Career and Technical Education (CTED) Facilities	Central Oregon	4,000,000	50,000
Maritime Science Building	Clatsop	7,900,000	110,000
Workforce Education and Resiliency Center	Oregon Coast	8,000,000	110,000
REAUTHORIZED		**36,400,000**	**520,000**
TOTAL		**73,900,000**	**1,055,000**

State Support to Public Universities

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,201,993,253	1,422,286,130	1,470,596,790	1,541,124,087
Lottery Funds	90,885,152	98,218,977	101,317,592	107,696,093
Other Funds	269,587,522	470,476,345	3,957,430	343,943,219
Other Funds (NL)	948,264,406	152,018,158	191,199,890	191,199,890
Federal Funds (NL)	4,156,091	4,008,154	4,008,153	4,008,153
Total Funds	**$2,514,886,424**	**$2,147,007,764**	**$1,771,079,855**	**$2,187,971,442**

Program Description

Oregon's seven public universities are the University of Oregon, Oregon State University, Portland State University, Eastern Oregon University, Western Oregon University, Southern Oregon University, and the Oregon Institute of Technology. Prior to 2013, the Oregon University System (OUS) was the state agency for the state's public universities and colleges, with the State Board of Higher Education as the single governing board overseeing all seven state universities. OUS provided central administration, support services, and public services for Oregon's seven institutions. This organizational structure and its relationship to the state began to change during the 2011 legislative session with passage of SB 242 and changed more significantly during the 2013 session with the passage of SB 270. The result of these two bills was that public universities were redefined as non-state agencies for purposes of many state statutes and constitutional provisions, and the seven institutions were reclassified as public universities with separate governing boards. OUS as a governing entity was eliminated. While HECC provides some statewide coordination of the public universities and performs minimal academic oversight functions, the separate governing boards have the authority to manage their respective institutions, including setting tuition, hiring the university president, and incurring debt.

Revenue Sources and Relationships

The change to non-state agency status exempted the public universities from many laws that govern state agency operations, including the need to request authority to spend Other Funds revenues such as tuition or Federal Funds such as federal research resources, and was intended to provide operational flexibility and create efficiencies. Due to this change of status, state support in the form of General Fund appropriations and Lottery Funds allocations must be made to HECC since public universities are no longer considered state agencies. Non-state funded university expenditures including tuition and position counts are not counted as part of the state budget. It should be noted that some Other Funds and Federal Funds expenditures related to bonding are included in the state budget, since they are debt instruments pledged with the full faith and credit of the State.

State support to the seven public universities is provided through a number of programs and functions. The majority of public university state support is provided through direct General Fund appropriations for programs and debt service. Lottery Funds allocations support the voter approved Outdoor School program at the OSU Extension Service, the Sports Lottery program, and debt service on outstanding lottery revenue bonds issued for the benefit of the public universities. Other Funds revenues include the proceeds of state bonds issued for public university capital construction projects, as well as a lesser amount of interest earnings and excess proceeds that may be applied to debt service payments on outstanding general obligation bonds. Nonlimited Other Funds is provided for debt service payments on outstanding Article XI-F (1) general obligation bonds and other “legacy” debt that is repaid by the public universities from their own sources.

Legislatively Adopted Budget

State support for the public universities in the 2023-25 biennium totals $1,541,124,087 General and $107,696,093 Lottery Funds. General Fund and Lottery Funds support represents an increase of $128,315,073, or 8.4%, over the 2021-23 legislatively approved budget. Total funds for the same period increased by $40,963,678, or 1.9%, despite a $126,533,126, or 26.9%, Other Funds decrease, primarily due to the significant amount of refunding of bonds that occurred during 2021-23. The following table includes program funding for the 2023-2 5 legislatively adopted budget:

State Support for Public Universities
2023-25 Legislatively Adopted Budget

	General Funds	Lottery Funds	Other Funds	Other Funds Non-Limited	Federal Funds Non-Limited	Total Funds
Public University Support Fund	1,000,000,000	-	-	-	-	**1,000,000,000**
Technical and Regional Universities*	6,164,482					**6,164,482**
Agricultural Experiment Station	97,016,982	-	-	-	-	**97,016,982**
Extension Service	76,020,517	56,406,064	-	-	-	**132,426,581**
Forest Research Laboratory	13,824,523	-	-	-	-	**13,824,523**
Public University Statewide Programs	71,069,331	-	4,900,000	-	-	**75,969,331**
Sports Lottery	-	18,329,943	-	-	-	**18,329,943**
Debt Service	277,028,252	32,960,086	11,329,668	191,199,890	4,008,153	**516,526,049**
Capital Construction	-	-	327,713,551	-	-	327,713,551
TOTAL STATE SUPPORT FOR PUBLIC UNIVERSITIES	**1,541,124,087**	**107,696,093**	**343,943,219**	**191,199,890**	**4,008,153**	**2,187,971,442**

Public University Support Fund: $1,000,000,000 General Fund

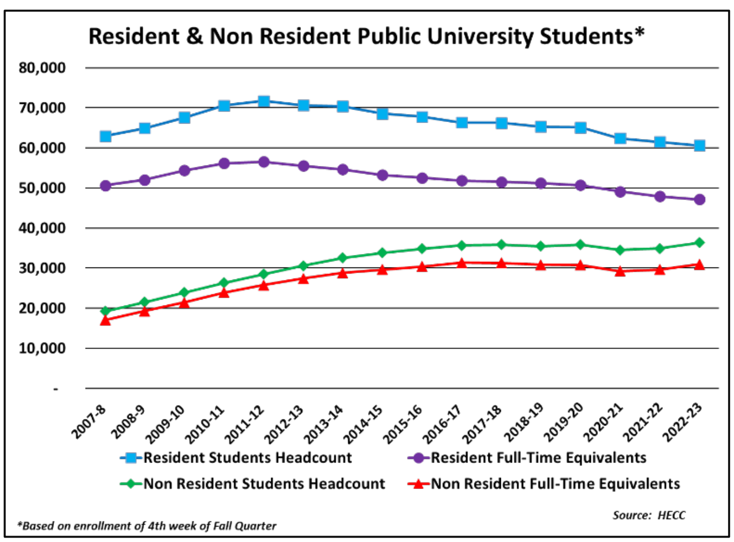
The Public University Support Fund (PUSF) includes the state funding for instruction, research, and operating costs of the seven public universities and represents the largest share of state support for public universities. The

Legislature appropriates an aggregate amount for the PUSF, as opposed to specifying amounts for individual institutions. HECC allocates the PUSF to the public universities using the Student Success and Completion Model (SSCM). The SSCM distribution formula is based on three funding categories:

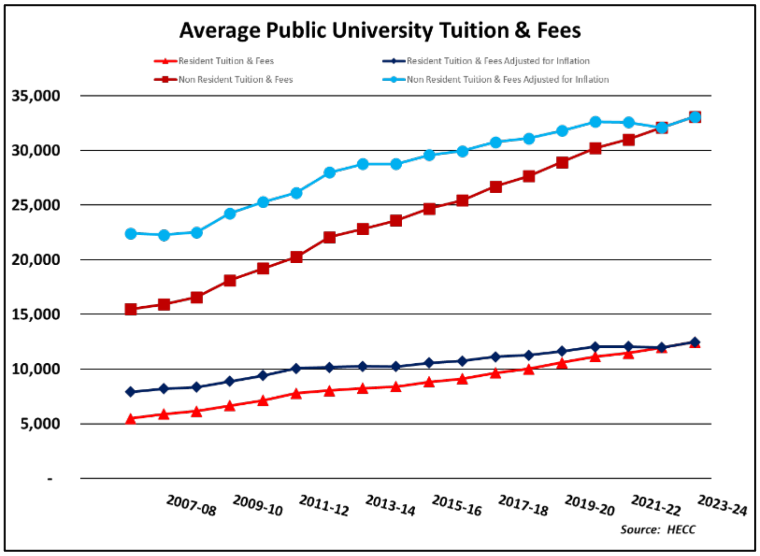
- **Mission Differentiation**: line-item funding for programs and services that support the regional, research, and public services missions of the universities.
- **Activity Based**: student credit hour completions of undergraduate and graduate Oregon resident students.
- **Completion**: resident degree and certification completions, with an emphasis on completions by underrepresented students and those in high-demand and high-reward fields.

Prior to the 2015-16 academic year, PUSF support had been allocated to the various institutions and programs in annual budgets through the Resource Allocation Model, which was primarily based on enrollment. HECC developed the SSCM in the 2015-17 biennium as a new method for distributing PUSF appropriations that attached more weight to academic outcomes. During the 2019-21 biennium, HECC convened a workgroup to review the SSCM and made changes to the funding model including providing additional weighting for community college transfer students, additional weighting for equity providing a bonus for underrepresented students to close attainment gaps, and redesign of the mission differentiation category.

Based on data provided by the public universities to HECC, total enrollment grew from 82,169 (67,703 full-time equivalent students (FTE) in the fall of 2007 peaking in the fall of 2013 at 102,939 (83,483 FTE). Since 2013, enrollment had fallen back to 100,960 (81,520 FTE) in 2019. For 2022, enrollment headcount is at 96,650 (78,176 FTE). These counts are taken in the fourth week of the Fall quarter of the academic year. During this same period, the public universities have become more dependent on non-resident students. In 2007, the percentage of non-resident students represented 23.4% of total enrollment (25.2% FTE), and by 2020 the percentage of non-resident students had grown to 35.7% (37.4% FTE). For 2022, the percentage of non-resident students is 37.5% (39.7% FTE). The graph below demonstrates the changes in enrollment.



The growth in the number of non-resident students exists even with significantly higher tuition and fees, which have also increased at a faster rate as shown in the following chart. In addition, the chart demonstrates the rate of increase in tuition and fees adjusted for inflation for both resident and non-resident students.

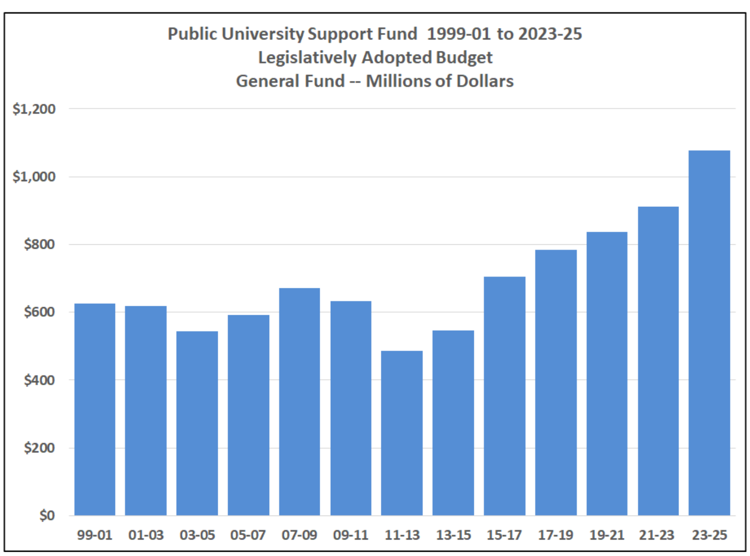


Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Public University Support Fund, which includes the instruction, research, some public service expenditures, and operating costs of the seven public universities, totals $1,006,164,482 General Fund, which is $93,472,938, or 10.2%, more than the 2023-25 approved budget level and $34,117,269, or 3.5% above the 2023-25 current service level.

Increased state support for the PUSF offsets the need for public universities to significantly increase tuition rates, offset education and general expenditure reductions, and decrease the use of university reserves. Resident undergraduate tuition growth between 2022-23 and 2023-24 averaged 4.2% with the highest percentage at Eastern Oregon University at 5% and the lowest percentage at Southern Oregon University at 3.4%. The Commission must approve undergraduate tuition increases above 5%.

The following graph shows state support for public universities over time. It combines the current Public University Support Fund program area with the Public University State Programs area to allow historical comparison to the time when funding went through the Oregon University System and the two programs were combined in the Education and General Services budget unit. The numbers in the text above do not include these State Programs resources which are described in the next section. The total for 2023-25 also includes the $6,164,482 General Fund investment for Portland State University (PSU) and Oregon's four Technical Regional Universities (TRUs) discussed below. This graph is not inflation adjusted.



PSU + TRUs: $6,164,482 General Fund

The state support for public universities budget includes $6,164,482 General Fund to disburse to Portland State University (PSU) and Oregon's four Technical Regional Universities (TRUs) consisting of: [1] Oregon Institute of Technology (OIT), [2] Southern Oregon University (SOU), [3] Eastern Oregon University (EOU), and [4] Western Oregon University (WOU)]. This investment is intended for these institutions to expend on innovative proof-of-concept efforts to realign institutional offerings and resources with current and emerging enrollment and economic realities to create long-term institutional financial viability. The funding is to be allocated as follows: $3,099,030 to PSU; $876,365 to OIT; $722,594 to SOU $605,221 to EOU; and $861,272 to WOU.

This funding is for one-time investments designed to generate cost savings or revenue increases that will improve institutional budgets over the long-term. This funding is not intended to cover shortfalls in operations or provisional funding for programs or activities with on-going costs. This funding is to assist PSU and the TRUs in reimagining offerings, economizing budgets, and leveraging resources to adapt to shifting demographics to ensure long-term financial sustainability while safeguarding community stewardship, access, and affordability.

In addition, a special purpose appropriation to the Emergency Board in the amount of $18,735,518 General Fund for potential HECC grants to PSU and Oregon's TRUs to assist these institutions with long-term financial sustainability, based on the initial proof-of-concept efforts funded in the HECC 2023-25 budget.

A budget note was adopted requiring each institution to submit a report, by December 15, 2023, to HECC detailing each proof-of-concept effort. HECC is directed to convene a workgroup with representatives of these institutions to produce a final report. The report should include: an evaluation of each proof-of-concept effort and recommendations for allocation of the $18,735,518 General Fund TRUs and PSU financial sustainability special purpose appropriation to assist with implementation of reported recommendations. HECC is directed to present this report to the Joint Committee on Ways and Means during the 2024 Legislative Session.

Public University State Programs: $71,069,331 General Fund

The Public University State Programs budget unit includes General Fund support for a variety of institutes, centers, and programs operated by public universities that address economic development, natural resource, and other public policy issues, rather than primarily providing instructional support for institutions and students. Many of these programs have an industry-specific focus and match state support with funds from the private sector and other sources. This budget unit also includes one-time appropriations for specific programs or functions for which the funding flows through the public universities. Funding for these programs was shifted from the Public University Support Fund budget unit that had historically been named Education and General Services.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget level of $71,069,331 General Fund represents a $58,056,634, or 44.9%, decrease from the 2021-23 legislatively approved budget. The decrease is due mainly to the phase out of one-time appropriations in the 2021-23 budget including: $21 million for childcare provider payments, $10.1 million to UO for equipment for the Knight Building, $16.5 million for the WOU main steam line, $6.5 million for the OSU Hatfield housing project, and $4.5 million for the UO Oregon Hazards Lab Wildfire Camera Network. The table below lists both on-going and new programs:

Public University State Programs
2023-25 Legislatively Adopted Budget

	General Fund
Various Universities: Engineering Technology Sustaining Funds (ETSF)	30,849,152
OSU with UO: TallWood Design Institute	4,288,845
OSU: Oregon Veterinary Diagnostic Laboratory (OVDL)	3,227,009
UO & PSU: Oregon Office of Community Dispute Resolution (OODR)	3,152,391
PSU: Oregon Solutions (OS)	2,848,133
OSU: Fermentation Science	1,563,951
UO, OSU, & PSU: Signature Research Centers	1,312,851
UO: Labor Education Research Center (LERC)	1,254,779
OSU: Ocean Vessels Research	781,976
OIT: Oregon Renewable Energy Center (OREC)	602,602
PSU: Population Research Center (PRC)	549,218
OSU: Institute of Natural Resources (INR)	503,531
UO: Clinical Legal Education	439,153
OSU: Oregon Climate Change Research Institute (OCCRI)	394,693
PSU: Willamette Falls Locks Commission	228,988
OSU: Agricultural Channel Habitat Complexity Study	253,073
OSU & PSU: Environmental Justice Mapping Tool	206,464
PSU, OSU, UO: Oregon Cybersecurity Center of Excellence	4,900,000
OSU: Oregon Climate Service	250,000
Various Universities: Strong Start *(one-time)*	6,792,143
OSU: Institute of Natural Resources - Water Conference *(one-time)*	100,000
UO: Just Futures Institute *(one-time)*	500,000
PSU: Project Rebound Resource Center *(one-time)*	195,000
PSU & EOU: Students Working at Non-Profits Pilot Program	294,206
OSU Cascade Maker Space *(one-time)*	500,000
OSU: College of Forestry Fuel Pathway Research *(one-time)*	3,000,000
OSU: Oregon Wildfire Risk Explorer (one-time)	846,173
PSU: Oregon Consensus - Water Management in the Chewaucan River Watershed *(one-time)*	420,000
OSU: Water Management in the Chewaucan River Watershed *(one-time)*	150,000
OSU: Western Juniper Removal Consulting *(one-time)*	365,000
OSU: AgriStress Helpline *(one-time)*	300,000
TOTAL	**71,069,331**

Descriptions for the programs and investments in the above table:

- **Engineering Technology Sustaining Funds (ETSF)** – Funding to support engineering and technology programs at all seven institutions. HECC distribute these funds using an outcomes-based formula that provides a set amount of base funding for each institution with the remaining funding distributed based on degrees to Oregon residents, research spending, and wages of graduates in targeted employment fields.
- **TallWood Design Institute** –SB 5507 (2015) provided funding for what is now known as the TallWood Design Institute (previously known as the OSU Advanced Wood Products with UO). The TallWood Design Institute is the nation's only research collaborative that focuses exclusively on the advancement of structural wood products. It conducts the research needed for widespread adoption of mass timber building technology in the U.S. The Institute is a partnership between Oregon State University and the University of Oregon, bringing together the strengths of OSU's College of Forestry and College of Engineering, and the UO's School of Architecture and Allied Arts.
- **Oregon Veterinary Diagnostic Laboratory (OVDL)** – The OSU Veterinary Diagnostic Laboratory is a public-supported facility providing a full range of animal disease diagnostic services to veterinarians, livestock

producers, pet owners, and biomedical researchers. In addition to diagnostic services, the Laboratory shares in the training of future veterinarians through instruction of veterinary medical students in the practice of diagnostic medicine. The OVDL works closely with local, state, and federal agencies, supporting public health and agricultural biosecurity through diagnostic testing and surveillance for zoonotic and foreign animal diseases.

- **Oregon Office of Community Dispute Resolution (OOCDR)** – The UO administers the OOCDR which provides mediation services and conflict resolution training to private parties. The OOCDR also provides funding and training support to 20 community dispute resolution centers, serving 25 Oregon counties. PSU administers the Oregon Consensus program, within the National Policy Consensus Center, which facilitates collaborative, agreement seeking processes that unite communities, government, and businesses to resolve differences and build durable agreements that address public issues.
- **Oregon Solutions (OS)** – Oregon Solutions at PSU brings the business, nonprofit, and civic sector to the table to make commitments, take on specific roles and responsibilities, leverage and pool resources, and problem solve by providing a system and process for collaborative governance, a process whereby community leaders join forces to define a problem, agree on a solution, and collaborate towards a resolution.
- **OSU Fermentation Science** – This funding was intended to "expand fermentation science programs" at Oregon State University. Fermentation science funding supports Oregon's fast-growing beer, wine and spirits industries and is one of the only programs of its type in the country.
- **Signature Research** – Initiated by the legislature in 2003 to support the development of Signature Research Centers for Multi-Scale Materials and Devices at OSU, UO and PSU. The research focuses on integrating nanotechnology and micro-technology into product engineering and design. The overall mission of the initiative is to create high-wage jobs and quality economic development in the state. UO and OSU each receive 47.5% of the available funds and PSU receives the remaining 5%.
- **Labor Education Research Center (LERC)** – Established at UO in 1977 to give workers and labor unions in Oregon access to the resources and expertise of the state's higher education system. Working from offices in Eugene and Portland, LERC's faculty have backgrounds in adult education, political science, labor and public policy, history, and community organizing. LERC offers a wide range of non-credit workshops and customized trainings in areas such as representation skills, effective communication, building inclusive organizations, labor history, political economy, and the law.
- **OSU Ocean Vessels Research** – This state-funded program provides ship days, including funding for fuel, supplies, and labor, for the use of the Research Vessel (R/V) Oceanus in the research and study of Oregon's coastal waters.
- **Oregon Renewable Energy Center (OREC)** – Oregon Tech's OREC program serves small and medium-sized companies seeking a university collaborator to prototype, test, validate and accelerate "cleantech" products, and renewable energy applications. OREC's geo-heat center maintains a geothermal library of over 5,000 publications and provides information and technical assistance on the use of geothermal energy to thousands of constituents worldwide, with a focus on assisting small Oregon-based businesses with applications of geothermal energy.
- **Population Research Center (PRC)** – The mission of PRC, located at PSU, is to provide population data, information, and research analysis for Oregon and its communities. In addition, it has the responsibility of acting as the lead state agency in working with the U.S. Census Bureau to disseminate information at local levels.
- **Institute for Natural Resources (INR)** – A cooperative enterprise at OSU bringing the scientific knowledge and expertise of Oregon's public universities and other Oregon higher education institutions to bear on natural resource management. The enacting legislation states that INR shall: (a) serve as a clearinghouse

for scientifically based natural resources information; (b) provide scientifically based natural resources information to the public in integrated and accessible formats; (c) coordinate efforts with other state agencies and bodies to provide natural resources information to the public in a comprehensive manner; (d) facilitate and conduct research; and (e) provide information and technical tools to assist decision-making on natural resources issues.

- **Clinical Legal Education** – This program provides funding to any accredited public or private institution of higher education within Oregon which provides clinical legal services to victims of domestic violence, stalking or sexual assault. Distribution of the funds is on an application basis. It is anticipated that the University of Oregon will receive all funds for this program for the upcoming biennium as they are the only eligible institution. Lewis and Clark had previously been eligible but no longer offers eligible services.
- **Oregon Climate Change Research Institute (OCCRI)** – The Institute facilitates research, serves as a climate change information clearinghouse, provides technical assistance, and at least once each biennium, assesses the state of climate change science as it relates to impacts on Oregon. OCCRI is housed within the OSU College of Oceanic and Atmospheric Sciences (COAS).
- **Willamette Falls Locks Commission** – As directed in SB 256 (2017), Oregon Solutions facilitated the Commission to advise state, local, and regional government agencies on the development and implementation of a plan for repair, reopening, operation, and maintenance of the Willamette Falls navigation canal and locks. This funding is distributed to PSU on behalf of Oregon Solutions.
- **Agricultural Channel Habitat Complexity Study** – Originally authorized by HB 2437 (2019), this is funding for OSU to study the benefits and impacts of maintenance activities on habitat complexity and other biological parameters in traditionally maintained channels.
- **Environmental Justice Mapping Tool** – Originally authorized in HB 4077 (2022) this funding supports the OSU Institute for Natural Resources and the PSU Population Research Center work in developing a tool that combines environmental and demographic indicators in maps and reports to visually represent and analyze environmental disparities and burdens in a specific and/or comparative general area (e.g., county, state).

The 2023-25 legislatively adopted budget for public university state programs include the following new additions:

- **Oregon Cybersecurity Center of Excellence** – HB 2049 (2023) established the Oregon Cybersecurity Center of Excellence to be operated under the joint direction and control of three founding universities (PSU, OSU, UO). Included in the Center's $4.9 million funding is a one-time amount of $250,000 General Fund to serve as state match in support of Oregon's application for Federal Funds available through the Infrastructure Investment and Jobs Act and State and Local Cybersecurity Grant Program through the end of federal fiscal year 2025.
- **Oregon Climate Service** – as part of a statewide series of investments related to climate, SB 5506 (2023) provides $250,000 General Fund for OSU Oregon Climate Service to support the State Climatologist position.

In addition, the 2023-25 legislatively adopted budget for public university state programs include the following one-time state investments:

- **Strong Start** – The one-time $6,792,143 General Fund provided in the 2023-25 budget reflects the unspent funds from of $4.7 million General Fund provided by the 2021 Legislature and $7.5 million General Fund provided by the 2022 Legislature for this program designed to mitigate the disruption on students preparing for their post-secondary education during the COVID-19 pandemic, with a focus on historically underserved students. This funding allowed each university to administer a variety of individualized programs to meet the specific needs of their students. Strong Start program elements have included early move-in to campus, peer mentoring, tutoring, intensive academic supports especially in math and writing, academic advising, note taking skills, time management, and financial literacy.

- **Institute of Natural Resources Water Conference** – as part of a statewide series of investments related to water and drought, SB 5506 (2023) provides $100,00 General Fund to OSU Institute of Natural Resources to convene a statewide water conference to facilitate learning and relationship building among sectors, identify research needs, and develop a statewide research and learning agenda.
- **Just Futures Institute** – as part of a statewide series of investments related to water and drought, SB 5506 (2023) provides $500,00 General Fund to the UO Just Future Institute to conduct research to understand and address water needs of environmental justice communities and to provide grants to community-based organizations, tribes, and other entities to build capacity to engage in water related work and projects that help to understand and address water needs of environmental justice communities, including resources for outreach, education, planning, research, and projects. A budget note directs HECC, in collaboration with UO, to submit a report on the use of funds related to equitable water access to the Legislature during the 2025 legislative session.
- **Project Rebound Resource Center** – SB 5506 (2023) provides $195,000 for PSU to support two years of the development of a Project Rebound Resource Center to support formerly incarcerated students complete their degree post-release.
- **Students Working at Non-Profits Pilot Program** – HB 2802 (2023) provides $294,206 General Fund for a five-year pilot at PSU and EOU to encourage hiring of public university students by nonprofit organizations.
- **OSU Cascade Maker Space** – as part of a statewide series of investments related to regional rural revitalization, HB 3410 (2023) provides $500,000 General Fund for OSU Cascade to equip a fabrication and maker space to support new product prototyping by outdoor recreation entrepreneurs in rural and central Oregon.
- **OSU College of Forestry Fuel Pathway Research** – as part of a statewide series of investments related to climate, HB 3409 (2013) provides $3 million to the College of Forestry at OSU to conduct research and report to the Legislature on topics including progress in establishing fuel pathways and carbon intensity values for low carbon fuels derived from woody biomass residues from forestry operations and the impact of converting woody biomass residues to low carbon fuels on greenhouse gas and black carbon emissions, snowpack in the Cascade Mountains, water quality and drought, and wildfire.
- **OSU Oregon Wildfire Risk Explorer** – as part of a statewide series of investments related to wildfire prevention and management, SB 80 (2023) provides $681,173 General Fund to the College of Forestry and $165,000 to the Institute of Natural Resources for map development and updates to the Oregon Wildfire Risk Explorer.
- **PSU Oregon Consensus for Water Management in the Chewaucan River Watershed** – as part of a statewide series of investments related to water and drought, HB 2010 (2023) provides $420,000 General Fund for PSU to establish a collaborative process to develop a shared understanding of water management in the Chewaucan River watershed.
- **OSU: Water Management in the Chewaucan River Watershed** – as part of a statewide series of investments related to water and drought, HB 2010 (2023) provides $150,000 for OSU to establish a collaborative process to develop a shared understanding of water management in the Chewaucan River watershed.
- **OSU: Western Juniper Removal Consulting** – as part of a statewide series of investments related to water and drought, HB 2010 (2023) provides $365,000 to OSU to consult with recipients of grants from the Department of Administrative Services for the treatment of western juniper to assist the recipients with establishing and monitoring areas in central Oregon, Harney County and Klamath County.

- **OSU: AgriStress Helpline** – SB 955 provides $300,000 to HECC for distribution to the Oregon State University Foundation to establish an endowment to cover the expenses of the OSU Extension Service in implementing and operating a crisis helpline for Oregon's agricultural and forestry communities.

Statewide Public Service Programs: $186,862,022 General Fund +$56,406,064 Lottery Funds

Oregon State University (OSU), as the state's land grant college, operates three Statewide Public Service Programs, each receiving separate General Fund appropriations:

- Agricultural Experiment Station – Organized in 1888, the Agricultural Experiment Station conducts research and practical demonstrations in the agricultural, biological, social, and environmental sciences. Research is conducted at a central station at Corvallis and through 11 branch experiment stations, with 14 locations in major crop and climate areas of the state.
- Extension Service – This program is the educational outreach arm of OSU as Oregon's Land, Sea, Sun, and Space Grant University. Extension faculty on campus and in county offices throughout the state work with researchers and volunteers to develop and deliver non-credit educational programs based on locally identified needs. Generally, counties provide office space and operating expenses, including support staff. Programs also use the services of many volunteers. Beginning in 2017-19, the Extension Service became responsible for the Outdoor School program for 5th and 6th graders across the state. The Outdoor School program is supported with Lottery Funds through the passage of Ballot Measure 99 (2016), which dedicated 4% of net lottery proceeds, up to a maximum of $22 million annually (adjusted for inflation), to the Outdoor School Education Fund.
- Forest Research Laboratory – Established by the Oregon Legislature in 1941, the laboratory conducts research on forest management, forest ecosystems, and renewable materials to solve problems and create innovative approaches to managing forests. Studies are conducted cooperatively in public and private forests and manufacturing facilities. A 15-member statutory advisory committee provides forest management, use, harvest, and utilization guidance to the Laboratory.

Legislatively Adopted Budget

The Legislature increased General Fund support for the three Statewide Public Service programs by $25,259,641 General Fund, to a total of $186,862,022, which is 15.6% above the 2021-23 combined budget level for these programs. The budget for the Outdoor School program increased by $6,987,336 Lottery Funds to $56,406,064, an increase of 14.1%. This represents the amount available from Lottery proceeds allowed under Ballot Measure 99 based on the May 2023 revenue forecast.

Beyond the general current service level adjustments, the increases in the General Fund budget include:

- $10 million to distribute proportionately based on current service level funding to each of the three Statewide Public Service Programs as follows: $5,168,289 to Agricultural Experimental Station; $4,057,711 to Extension Service; and $774,000 to Forest Research Laboratory.
- $2 million to support OSU College of Agricultural Sciences Center for Small Farms and Community Food Systems to work with agricultural producers to support and expand organic agriculture sectors.
- $135,000 for OSU Southern Oregon Research Extension Center to partner with growers in affected areas to increase capacity to monitor, trap, and suppress vine mealybug found in Oregon vineyards.
- $3 million, as part of a series of statewide investments relating to rural infrastructure, pursuant to HB 3410 (2023), for OSU's Center for the Outdoor Recreation Economy including $2 million for professional and workforce development programs and $1 million for facilitation and technical assistance in communities affected by wildfire for community engagement in the planning and construction of outdoor recreation facilities to support the communities' economic recovery.

- $30,000 for OSU Extension Service for work associated with the Wildfire Programs Advisory Council, pursuant to SB 80 (2023), as part of a series of statewide investments relating to wildfire prevention and management.
- $3,085,581 for OSU Southern Oregon Research Extension Center to establish an agricultural water management technical assistance program, pursuant to HB 2010 (2023), as part of a series of statewide investments relating to water and drought.

The table below lists the total 2023-25 funding for each statewide public service programs:

Public University Statewide Public Service Programs
2023-25 Legislatively Adopted Budget

		General Fund	Lottery Funds	Total Funds
Agricultural Experiment Station		97,016,982		**97,016,982**
Extension Service		76,020,517	56,406,064	**132,426,581**
Forest Research Laboratory		13,824,523		**13,824,523**
	TOTAL	**186,862,022**	**56,406,064**	**243,268,086**

Sports Lottery: $18,329,943 Lottery Funds

The Sports Lottery program began in 1989 when the Legislature authorized a special Sports Action game and directed that the proceeds from the game be used to finance intercollegiate athletics and non-athletic scholarships. The 2005 Legislative Assembly abolished the Sports Action lottery game, which had previously been the revenue source for the program, and instead dedicated 1% of net lottery proceeds to the Sports Lottery Account. Statute directs that 88% of the amount allocated to the Sports Lottery Account, not to exceed $8 million annually, be used to finance intercollegiate athletics at the public universities. The remaining 12%, not to exceed $1.1 million annually, is awarded for graduate student scholarships based on academic merit and need. 70% of the athletic funds must be used for non-revenue producing sports, and at least 50% must be used for women's athletics. Due to budget constraints, the Legislature has often approved a fixed Lottery Funds allocation for Sports Lottery that is less than the dedicated 1% amount. Sports Lottery funding was limited to $8.24 million in the 2015-17 and 2017-19 biennia.

Legislatively Adopted Budget
The 2023-25 legislatively adopted Sports Lottery funding of $18,329,943 is a $1,815,336 (11%) increase over the 2021-23 approved budget of $16,514,607. For 2023-25, the amount meets the 1% dedicated amount based on the May 2023 revenue forecast. The increased funding is allocated in the same proportion to the institution as was in 2021-23. The allocations to OSU and UO are less than for the regional universities because they have access to large conference TV contracts that the four regional universities do not have. This distribution may need to be revisited with the dissolution of the Pac-12 Conference.

Sports Lottery Allocation
2023-25 Legislatively Adopted Budget

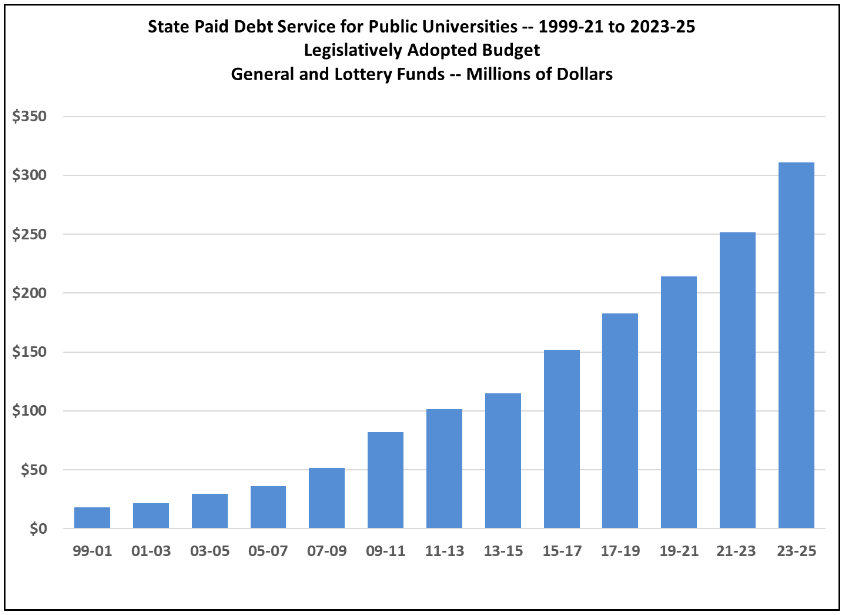
	Lottery Funds
Eastern Oregon University	3,172,762
Oregon Institute of Technology	3,172,762
Oregon State University	1,339,014
Portland State University	2,960,867
Southern Oregon University	3,172,762
University of Oregon	1,339,014
Western Oregon University	3,172,762
TOTAL	**18,329,943**

Public University Debt Service: $277,028,252 General Fund + $32,960,086 Lottery Funds

The public university debt service budget area includes state funded debt service expenditures for capital construction projects financed through the issuance bonds (Article XI-G and XI-Q general obligation bonds and Lottery Bonds), as well as debt service paid by public universities for self-supported bonds (Article XI-F (1) general obligation bonds and legacy debt). General Fund appropriations support debt service on Article XI-G and XI-Q bonds, have traditionally been used to finance instructional and public service facilities, as well as a portion of the repayment of Small-Scale Local Energy Loans financed through the issuance of Article XI-J bonds. Lottery Funds support debt service on lottery revenue bonds issued to finance public university capital repairs and facilities. University revenues support repayment of debt service on Article XI-F (1) bonds, which finance self-supporting facilities, such as student union facilities, dorms, and parking structures. All state general obligation bonds must be authorized by the Legislature, including those supported with non-state funds, and associated debt service payments must still be included in the budget. Other Funds Nonlimited expenditure limitation is included for debt service payments on outstanding Article XI-F (1) bonds.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget included $277,028,252 General Fund and $32,960,086 Lottery Funds for debt service on outstanding bonds issued for public university capital construction projects. General Fund debt service is $58,206,411, or 26.6%, more than the 2021-23 legislatively approved budget. Lottery Funds debt service is $674,444, or 2.1%, more than 2021-23 legislatively approved budget. The reduction in Lottery Funds debt service is caused in part to not issuing any lottery bonds in the last three biennia due to the steep drop in lottery proceeds at the beginning of the pandemic that occurred when bars and restaurants were ordered to close plus the refinancing of outstanding Lottery Bonds in the Spring of 2021 to reduce future debt payments.

Compared to 2007-09, the combined General and Lottery Funds for public university debt service paid by the state has increased by 503%, reflecting the increasing level of bonding approved for university capital projects. Compared to 2013-15, this growth has increased by 171%. The following graph shows historical levels of state debt service payments:



Public University Capital Construction: $327,713,551 Other Funds

The Capital Construction budget includes a six-year capital construction expenditure limitation for public university capital projects financed through the issuance of state general obligation and lottery bonds. Prior to the elimination of the Oregon University System, the Capital Construction unit accounted for public university capital construction projects financed through the issuance of state bonds. When OUS became a non-state agency in the 2013-15 biennium, these Capital Construction payments were not included in the state budget, because, by law, OUS expenditure of bonds proceeds was no longer limited by Other Funds expenditure limitations. With the formal termination of OUS, a state agency had to include these payments in its budget so that they could be included as part of the state budget, therefore capital construction expenditure limitation was added to HECC's budget in the 2015-17 biennium. HECC accounts for these expenditures as grants (Article XI-G, Article XI-Q, and lottery bonds) or loans if the debt service is supported by the universities (Article XI-F(1) bonds). Article XI-G bonds require an equal match from the public university. Article XI-Q and lottery bonds have no matching fund requirements. Article XI-F(1) bonds are supported by institution revenues.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget includes $327,713,551 Other Funds capital construction six-year expenditure limitation for distribution of general obligation bond proceeds to public universities. This represents an $148,191,549, or 31.1%, decrease from the $457,905,100 approved for public university capital projects in the 2021-23 legislatively approved budget. Most of the bonds for 2021-23 were approved for sale during the Spring 2023 sale. The budget includes six new projects and the reauthorization of the PSU Gateway Center Re-Use and Extension project. The table below provides a list of the six 2023-25 approved capital construction projects:

Public University Capital Construction Projects
2023-25 Legislatively Adopted Budget

Project	Institution	Article XI-G Bonds	Article XI-Q Bonds	Article XI-F(1) Bonds	Cost of Issuance
All Public University Capital Improvement and Renewal	All		100,000,000		885,000
Friendly Hall Renovation	UO	7,543,000	65,175,650		771,350
Collaborative Innovation Complex	OSU	71,975,000			705,000
Geothermal System Emergency Renovation	OIT		17,956,151		203,849
Smith Memorial Union	PSU			8,200,000	115,000
Vernier Science Center and Gateway Art and Design Center	PSU	4,275,000	52,588,750		641,250
		83,793,000	235,720,551	8,200,000	3,321,449
Vernier Science Center and Gateway Art and Design Center (reauthorized)	PSU			16,000,000	190,000
TOTAL		83,793,000	235,720,551	24,200,000	3,511,449

State Support to Oregon Health and Science University

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	102,639,216	152,549,728	153,567,507	164,367,507
Other Funds	30,920,225	31,564,551	7,328,750	7,328,750
Other Funds (NL)	6,234,005	2,631,528	3,441,830	3,441,830
Total Funds	**$139,793,446**	**$186,745,807**	**$169,338,087**	**$175,138,087**

Program Description

The Oregon Health and Science University (OHSU) is Oregon’s only public academic medical center. OHSU’s mission includes education, research, clinical care, and public service. OHSU provides services across the state through its full service and trauma center hospital, clinics, research centers, community outreach programs, and health care professional training programs. In addition to its primary site in Portland, OHSU also has clinical facilities throughout the Portland metropolitan area, the Oregon Primate Research Center, and teaching programs in various locations throughout the state. OHSU has operated as a public corporation since 1995 and is governed by a Board of Directors appointed by the Governor and confirmed by the Senate. The Legislature no longer approves the OHSU budget (or limits its expenditures from tuition and other sources), but the state continues to directly support OHSU through grants for academic programs (Schools of Medicine, Nursing, and Dentistry), the Office of Rural Health and Area Health Education Centers, the Child Development and Rehabilitation Center, the Oregon Poison Center, the Oregon Children’s Integrated Health Database, and the Statewide Behavioral Health Capacity Dashboard. State support for OHSU also includes debt service on outstanding general obligation bonds issued for the Oregon Opportunity Program and the Knight Cancer Institute.

Revenue Sources and Relationships

Other Funds revenues are primarily Tobacco Master Settlement Agreement for debt service on outstanding Article XI-L general obligation bonds issued for the Oregon Opportunity Program. OHSU received $200 million in Article XI-L bond proceeds in the 2001-03 and 2003-05 biennia for an expansion of research programs in genetics and biotechnology. The final payment is to be made in 2024. Other Funds revenues also include a minor amount of interest earnings that may be applied to debt service payments on outstanding general obligation bonds. Other Funds Nonlimited support debt service on state-issued Article XI-F (1) general obligation bonds that are the responsibility of OHSU (referred to as legacy debt) and paid with non-state resources.

Budget Environment

State support for OHSU’s education and clinical programs experienced a decline when the institution was reorganized as a public corporation. OHSU received $125.1 million from the state in 1993-95, the last biennium that it was a part of the Department of Higher Education. The amount of General Fund allocated to OHSU fell between 2007-09 ($82.2 million) and 2011-13 ($66 million), but the Legislature increased the amount for 2013-15 to $72.4 million and increased it again to $77.3 million in 2015-17 (this amount does not include $3.5 million General Fund for debt service that was also approved for OHSU). The 2019-21 legislatively approved program budget of $78.8 million (excluding debt service) generally provided current service level support for programs with small reductions in Rural Health programs and the then one-time investment in the Children's Integrated Health Database. The 2021-23 legislatively approved program budget of $129 million (excluding debt service) included $45 million General Fund to support the institution's goal of increasing the number of graduates in key health care professions programs (including nurses, clinical psychologists, physicians, physician assistants, public health leaders, and human nutritionists) by 30%, while ensuring that 30% of its learners are from underrepresented populations, by the year 2030. Of the total funding, $20 million annually will be used to expand capacity for on-going health care education and pathway programs and the remaining one-time funding of $25 million will be used to establish the OHSU Opportunity Fund to provide tuition assistance and loan repayment to learners from underrepresented communities.

In prior biennia, debt service on outstanding Article XI-L Oregon Opportunity Bonds, Article XI-G bonds issued for the Knight Cancer Institute, and legacy Article XI-F (1) bonds was included in the Department of Administrative Services (DAS) budget and debt service on legacy Article XI-G bonds was included in HECC's budget. During the 2018 session, statutory changes were made to consolidate the budget and responsibility for administering debt service on outstanding general obligation bonds issued for the benefit of OHSU within HECC's budget. The 2017-19 legislatively approved budget reflected the mid-biennium transfer, with debt service payments prior to May 2018 in the DAS budget and payments through the remainder of the biennium in the HECC budget. Consolidating state support to OHSU, including debt service, within HECC simplifies and makes the budget more transparent, as well as aligns OHSU debt service expenditures within the post-secondary education budget.

Direct state funding makes up a small percentage of OHSU's total revenues. By far the hospital's largest funding source is patient service revenues, which includes indirect state resources through the Oregon Health Plan and reimbursements for provision of state employee health services. In fiscal year 2021, the state's direct funding (excluding Oregon Opportunity and Knight Cancer Institute debt service) was less than 1.2% of OHSU's $3.7 billion operating revenues.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for OHSU includes state support for OHSU's education and other programs, as well as debt service payments on outstanding bonds issued for the benefit of OHSU. The General Fund for 2023-25 totals $164,367,507 with a $175,138,087 total funds budget. This represents an increase of 7.8% for General Fund and there is a small reduction in Total Funds because of bond refunding. Support for the programs components of the OHSU budget is generally at the current service level with the following additions:

- $900,000 General Fund to provide on-going support to the Oregon Poison Center to maintain its current level of service in light of the reduction in federal reimbursement rates for the State Children's Health Insurance Program (SCHIP) from 97.8% to 72.2%.
- $2 million General Fund to provide on-going support for the Oregon Child Integrated Dataset (OCID) project. Developed and managed by the Center for Evidence-Based Policy at OHSU, this integrated and longitudinal database contains linked, cross-agency, and cross-program information for children born in Oregon and their birth parents beginning in 2001. With data from a variety of sources, including the Oregon Health Authority, Department of Human Services, and Department of Education, the OCID dataset includes information on birth records, early learning and home visiting, K-12 education, mental health, and child welfare to provide insight into the challenges and opportunities in the lifespan of the class of 2020. The Center for Evidence-based Policy was directed to regularly communicate with the staff of the Higher Education Coordinating Commission's Oregon Longitudinal Data Collaborative to avoid overlap and to join efforts in data collection and system development that might benefit both entities.
- $5.4 million General Fund to continue State support of the Oregon Behavioral Health Coordination Center (OBCC) at OHSU. Of this amount, $1.4 million is one-time funding. OBCC serves as a hub for information

regarding acute and residential behavioral health services across Oregon. The Center includes a tool that provides real-time data on facility capacity and available placement options for behavioral health patients.

- $1 million in one-time funding to distribute to the Oregon Perinatal Collaborative for the purpose decreasing maternal and infant mortality and morbidity with a focus on equity and decreasing disparities in maternal and infant health outcomes in urban and rural areas across Oregon.
- $1.5 million General Fund in one-time funding for the OHSU Area Health Education Centers to support the Oregon Academy of Family Physicians in promoting family medicine residency training programs; increasing training for residents in maternal and reproductive health care; and developing programming for family medicine residency training program directors, faculty, and residents. The Center is allowed to spend up to five percent of the total funds on administrative costs.

Funding levels for various programs and functions are itemized in the table below:

Oregon Health and Science University (OHSU)
2023-25 Legislatively Adopted Budget

	General Funds	Other Funds	Other Funds NL	Total Funds
Education and General				
School of Medicine	30,238,828			30,238,828
School of Nursing	26,151,339			26,151,339
School of Dentistry	12,255,625			12,255,625
Office of Rural Health/Area Health Education Centers	6,857,836			6,857,836
Healthcare Workforce 30-30-30 Initiative	43,155,019			43,155,019
Other Programs				
Child Development and Rehabilitation Center	9,722,521			9,722,521
Oregon Poison Center	4,011,209			4,011,209
Oregon Children's Integrated Health Database	2,000,000			2,000,000
Statewide Behavioral Health Capacity Dashboard	5,400,000			5,400,000
Oregon Perinatal Collaborative (OPC)	1,000,000			
TOTAL	**140,792,377**			**140,792,377**
Debt Service				
OHSU Knight Cancer Institute - XI-G Debt Service	23,575,130	7,328,750	3,441,830	34,345,710
TOTAL STATE SUPPORT FOR OHSU	**164,367,507**	**7,328,750**	**3,441,830**	**175,138,087**

Oregon Opportunity Grant Program

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	99,492,046	148,878,818	173,414,938	183,776,003
Lottery Funds	39,670,215	29,820,982	12,790,254	84,000,000
Other Funds	14,814,722	21,300,200	22,194,808	40,623,997
Total Funds	**$153,976,983**	**$200,000,000**	**$208,400,000**	**$308,400,000**

Program Description

The Oregon Opportunity Grant (OOG) is the state's primary student needs-based financial aid program providing eligible Oregon students with grants to assist in financing education at Oregon-based community colleges, public universities, and private or independent institutions. The program is administered by HECC's Office of Student Assistance and Completion (OSAC). There is no separate application that is specific to the Oregon Opportunity Grant. Oregon students apply for the grant by completing either the Free Application for Federal Student Aid (FAFSA) or the Oregon Student Aid Application (ORSAA). Each year, OSAC processes FAFSA/ORSAA forms for about 200,000 potentially OOG-eligible undergraduate students. Of those, between roughly 30,000 and 40,000 students receive OOG funds each academic year. Recipients must be enrolled at least half-time and are eligible for up to four years of full-time enrollment. Grants are awarded based on financial need, as measured by the Expected Family Contribution (EFC) from the FAFSA/ORSAA, and the other federal financial aid a student is expected to receive. Historically, about half of these students attend one of Oregon's 17 community colleges, just under half attend one of Oregon's seven public universities, and about 5% attend one of 13 private, independent colleges and universities in the state. Students who receive the OOG are more often from underrepresented and underserved groups (students of color, women, rural, and especially first-generation-college students). For the 2021-22 school year, the annual grant awarded $3,612 for students attending a public university or Oregon-based independent private non-profit institution and $2,778 for students attending a community college. For the 2021-22 academic year, the agency estimated that 42.4% of the students receiving grants will be community college students, just less than 51.3% will be public four-year institution students, and the remaining 6.2% will be at independent schools. This is a change from the previous years when over 50% of funding went to community college students and a smaller number were public university students.

Revenue Sources and Relationships

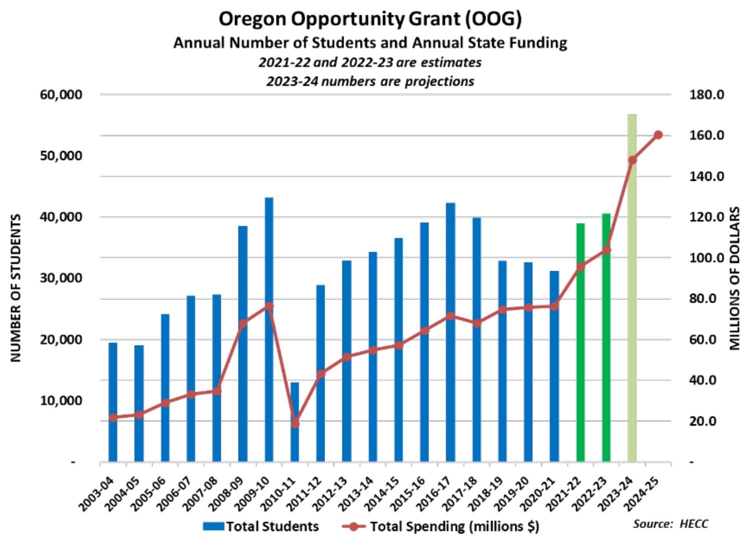
In the past, the OOG program received Lottery Funds based upon one-quarter of the earnings of the Education Stability Fund (ESF). The 2015 Legislative Assembly changed this, so the OOG received one-quarter of the earnings plus all of what is not required for debt service on previously issued bonds by the state for school districts. These school-related bonds were paid off in the 2019-21 biennium, so all earnings were designated for the OOG. It should be noted that revenue from this source is affected when the state uses the corpus of the Education Stability Fund. The amount available for 2013-15 was limited since the Education Stability Fund was accessed in both 2009-11 and 2011-13. The amount available for 2021-23 was also affected by the $400 million that was withdrawn from the ESF during the August 2020 second special session. The other major factor determining the amount of Lottery Funds availability is the rate of earnings from ECF.

SB 1528 (2018) established Opportunity Grant tax credit auction for contributions made to the OOG program similar to a program for the Oregon Film and Video Office. The first annual auction was in August 2018. Changes in the federal tax code in 2018 made these auctions less viable. SB 129 (2023) sunsets this tax credit on January 1, 2023. The remaining proceeds from previous auctions are reflected in Other Funds for the program for 2023-25. There is also a small amount of JOBs Plus related funds set aside for Temporary Assistance to Needy Families as Other Funds.

Budget Environment

The Oregon Opportunity Grant program has changed over time how it awards grants. From 2001-02 to 2007-08, maximum grants were based on 11% of cost of attendance and income limits were based on a percent of median income. Beginning in 2008-09, the Shared Responsibility Model was implemented where grants awarded were intended to be equal to the difference between OSAC's determination of the average cost of education (including books, transportation, living expenses, and tuition and fees) and the student's/family's ability to pay. The ability to pay was based on an amount that varies with the student's financial resources and qualifications for federal student aid (the family share and the federal share). As a result, award amounts varied by income level and other financial resources and by type of institution, and more students from middle income families became eligible for grants. There was never sufficient funding to fully implement the Shared Responsibility Model so maximum grant awards and other actions were established to stay within budgeted amounts. HB 2407 (2015) made several changes to the OOG program in terms of eligibility and timing of awards. The bill maintained the principles of the shared responsibility model, but provided that, if there are insufficient funds, the awarding of grants should be prioritized to first serve those applicants with the greatest financial need. Grants were also guaranteed for a second year if the student meets academic standards set by the Commission and is making progress toward completion of a degree or a certificate. Between 2016 and 2018, the maximum grants were the same for community colleges and public universities, but starting in the 2018-19 school year, the program returned to the two tiers where students at public universities received higher maximum grants than students at community colleges based on the estimated cost of attendance.

The following chart shows the total annual spending, as well as the total number of students served. The numbers are estimated for the 2021-22 and 2022-23 academic years and projected for the 2023-24 academic year. Both the number of students assisted, and the total annual funding has generally increased since the end of the 2008 Great Recession. The impact of the recession also is represented by the significant increase in the number of students from 2007-08 to 2009-10. The funding reduction in 2010-11 represents higher spending in the first year of that biennium to keep pace with demand. Much less funding remained for the second year of that biennium. The program has only served a portion of the estimated eligible applicants. During the 2014-15 academic year only 27% of the estimated eligible applicants were served, while for 2017-18 that percentage was estimated at 44%. The increased support for 2023-25 will help in serving a greater portion of the eligible population.



Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $308,400,000 total funds reflects an increase of $108,400,000, or 54.2%, over the 2021-23 legislatively approved budget. The funding mix for the program changes based on the availability of investment earnings from the Education Stability Fund. For 2023-25, it anticipated that $84 million Lottery Funds will be available for the program. Other Funds of $40,623,997 reflects primarily revenue from the tax credit auctions. Based on preliminary estimates, it is anticipated the additional funding in the 2023-25 budget will result in award amounts that cover up to 75% of tuition at public institutions for students with a zero EFC. The Office of State Access and Completion estimates that 79,083 students will be awarded and a minimum of 33,740 awards will be disbursed. Fall 2023 reconciliation is still underway for the OOG, and estimated numbers will change as late disbursements are reconciled. However, at the end of November 2023, OSAC has authorized 63,103 students for the 2023-24 academic year, and OSAC has disbursed funds to 35,651 students for Fall term. The estimated total dollar disbursed for the Fall 2023 term thus far is $56,998,679.

HECC Staffing, Operations, and Other Programs

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	42,812,827	170,073,762	89,716,675	135,616,357
Other Funds	40,543,645	200,721,399	57,786,342	190,411,445
Other Funds (NL)	6,607	206,000	206,000	206,000
Federal Funds	78,564,201	131,016,933	135,765,439	135,687,443
Federal Funds (NL)	4,804,879	20,536,302	20,536,302	20,536,302
Total Funds	**$166,732,159**	**$522,554,396**	**$304,010,758**	**$482,457,547**
Positions	144	180	157	195
FTE	134.91	160.87	148.94	185.13

Program Description

This budget unit includes all the staff and operating costs of HECC, as well as programs that do not provide direct funding to community colleges, public universities, OHSU, or to students through the Oregon Opportunity Grant and the Oregon Promise programs. There are three primary areas in this program unit: HECC Operations, Office of Workforce Investments, and Other Student Financial Assistance.

HECC Operations includes most of the agency staff and is comprised of the following six offices:

- *Office of the Executive Director* - provides leadership and central executive functions, including legislative affairs; diversity, equity, and inclusion efforts; human resources; policy initiatives; and communications.
- *Office of Operations* - ensures compliance with state and federal requirements and includes four units: (1) Budget which provides program and administrative budget planning, financial analysis and technical budget support; (2) Financial Services which provides accounting services, administers employee benefits and payroll, prepares financial reports, and collects funds owed to HECC; (3) Contracts and Procurement which oversees purchasing, conducts solicitations, and prepares and processes contracts; and (4) Information Technology which provides planning and analysis, networking, data management, security, project management and customer support services for a myriad of separate information systems.
- *Office of Research and Data (R&D)* - collects data on students, courses, demographics, enrollments, academic performance, employment trends, and academic awards to comply with state and federal reporting requirements, provides effective recommendations to state and agency policymakers, meets reporting responsibilities, and conducts research to better understand and manage the postsecondary enterprise.
- *Office of Academic Policy and Authorization (APA)* - oversees two primary areas of work, public university academic policy and private postsecondary programs. The Public University Academic Policy unit provides academic coordination related to Oregon's seven public universities, including coordination of the academic program approval process, statewide initiatives, and legislative directives to enhance postsecondary pathways and student success. The Office of Degree Authorization (ODA) authorizes private degree-granting institutions and distance education providers. The Private Career Schools (PCS) unit licenses and supports private career and trade schools. ODA and PCS are responsible for student and consumer protection from diploma mills and unlicensed career schools.
- *Office of Post-Secondary Finance and Capital (PFC)* - provides fiscal coordination related to Oregon's public postsecondary institutions, including financial planning, biennial budget recommendations for the Public University Support Fund, Public University State Programs, Public University Statewide Public Services, capital investments, fiscal reporting and analysis, capital bond funding administration, and the allocation of state funding to public postsecondary institutions.
- *Office of Community Colleges and Workforce Development (CCWD)* - provides coordination and resources related to Oregon's community colleges and adult basic skills providers. CCWD also provides statewide administration related to Career and Technical Education (CTE), including the Carl D. Perkins Vocational and Technical Education Act, Accelerated Learning, Career Pathways, Community College Program Approval, GED testing and high school equivalency, English Language Learners, and the Workforce Innovation and Opportunity Act (WIOA) for Adult Education (Title II).

The **Office of Workforce Investments (OWI)** is responsible for convening partnerships in the workforce system, supporting the Oregon Workforce Investment Board (OWIB) and Local Workforce Development Boards (LWDBs), and implementing the OWIB strategic plan. HECC is the administrative entity for federally funded programs authorized by the U.S. Workforce Innovation and Opportunity Act (WIOA), including the WIOA Youth, Adult, Dislocated Worker programs and Federal Discretionary grants. Many of the services under this area are provided in coordination with the Oregon Employment Department. In addition, OWI oversees the state's Future Ready Oregon education, training, and employment initiative. The functions of the former Talent Council have been integrated into OWI, including the Oregon Youth Conservation Corps which provides education, training, and employment opportunities to disadvantaged youth ages 13 through 24. OWI also administers OregonServes, supporting statewide service and volunteer efforts, and providing funds for the state- based AmeriCorps program.

Other Student Financial Assistance includes student financial assistance staff and programs administered by the Office of State Access and Completion (OSAC). OSAC provides financial assistance for postsecondary students, serving financial aid offices, colleges and universities, high schools, middle schools, outreach sites, state and federal agencies, community-based organizations, donors, and Oregon financial aid applicants. OSAC receives, processes, and stores sensitive data submitted in the Free Application for Federal Student Aid for more than 350,000 Oregon residents each year. It also supports multiple web portals, online applications, and reporting systems for the many programs it administers. Most of the Other Funds expenditure limitation is related to OSAC's work with a variety of private foundations, membership organizations, private donors, and community groups to administer more than 600 privately funded scholarship programs. General Fund includes the Chafee Education and Training Grant for former foster youth, the Oregon Student Child Care Grant, the Oregon National Guard State Tuition Assistance program, the new Oregon Tribal Student Grant, along with several small programs serving targeted groups. OSAC also supports student mentoring programs (ASPIRE, College Possible, Oregon TRIO, AVID, and Build EXITO) that provide outreach services and resources to educate Oregon students to become career and college ready. The Oregon Promise program is part of the State Support for Community Colleges while the Oregon Opportunity Grant program is its own budget unit.

Revenue Sources and Relationships

The Office of Degree Authorization and the Private Career School Program rely on fees paid by the institutions licensed by the two programs. The Tuition Protection Fund of the Private Career Schools Program relies on assessments of the schools under the jurisdiction of the program and provides resources to students who attended schools and had funds or services due to them after the school went out of business. Other Funds for the Office of Community Colleges and Workforce Development include fees from applicants for GED, charges to community colleges for the cost of copying Adult Basic Education curriculum materials, funds for project management of state bond financed projects, summer conference fees, and funds from the Oregon Department of Education for Carl D. Perkins Professional/Technical program support. Funding for the Oregon Youth Conservation Corps program comes from the Amusement Device Tax levied on the state's video lottery terminals, donations, as well as from fees for contract services with state and federal natural resources agencies. Other Funds revenues for OSAC are primarily received from private award donations and associated charges for administering privately funded scholarship programs.

Federal Funds associated with the workforce programs include WIA Title IB, WIA Title II, National Emergency Grants, and United States Forest Service and other funding for Oregon Youth Employment Initiatives. HECC must apply to the federal government for any NEG funds and expenditures of these funds are classified as nonlimited in the state budget.

Budget Environment

Currently, there are 214 schools regulated by the Private Career Schools (PCS) program (e.g., cosmetology, truck driving, and real estate related schools). Schools close and open more frequently in volatile economic environments. HB 5025 (2019) provided authorization for HECC to continue 30% increases in fees that are charged to PCS regulated schools. These increases were required starting in 2017-19 as General Fund support for PCS regulation was discontinued. Fluctuations in revenue for PCS continues to be a challenge. The 30% increase in licensure and renewal fees helped to make this unit financially solvent but did not increase revenues enough to allow enough resources to provide adequate consumer and student protection in the form of compliance reviews of teacher licensure and site visits to schools for regulatory compliance reviews. As schools find it hard to absorb another increase in fees, raising fees could lead to more unlicensed school openings. HECC requested General Fund resources to stabilize the unit. This request was not approved in the 2023-25 budget.

There are 21 in-state degree-granting schools regulated by the Office of Degree Authorization (ODA) and 52 out-of-state schools. A further 32 schools are part of a 32 State Authorization Reciprocity Agreement bringing the number of regulated schools to 105. The number of schools regulated by both programs depend, in part, on the economy; as the unemployment rate decreases so does the enrollment in many of these programs. Federal oversight of the schools overseen by ODA has varied over the past few years. In the past, the burden of student debt and the ability of students to find gainful employment was an important issue for the federal government which had an impact on these schools and programs.

HECC continues to build its infrastructure including continuing efforts of the former component agencies. One major project is the replacement of the Financial Assistance Management Information System (FAMIS) for the student aid programs including the Oregon Opportunity Grant. Sensitive and confidential information is accessed and maintained by the current system, and data security is an important issue. The initial stages for this program have been under way for years; and for at least the third time, funding was requested by the agency for 2021-23. The agency is now moving forward and $5 million in Article XI-Q bonds were approved in the 2021-23 budget to fund the replacement of FAMIS.

The ASPIRE program is designed to create a career and college readiness culture in middle schools, high schools, and community-based organizations (CBOs) statewide. Currently ASPIRE is in more than 155 sites across Oregon with more than 1,100 mentors and 10,000 students participating each year. ASPIRE staff develop and maintain information, resources, and trainings for Site Coordinators (who manage the program at each site), mentors (who work directly to support students) to engage students and families around financial aid and postsecondary planning.

The 2018 Legislature passed HB 4035 establishing the Oregon National Guard State Tuition Assistance program. The program provides funding for tuition for up to 90 credits at community colleges and 180 credits at public universities for active members of the Oregon National Guard. The program provides grants toward a participant's tuition balance minus any Department of Defense Federal Tuition Assistance the service member may receive. Initial participation in the program was small, with only 81 student receiving assistance in the Fall term of 2018. Participation has grown with 265 in 2019-20, 461 for 2020-21 and 218 anticipated for 2021-22. Since this is a relatively new program, on-going demand for the program is hard to estimate. Factors contributing to this difficulty are Oregon National Guard (ONG) marketing, ONG deployments, and ONG member eligibility. If program resources are not sufficient to meet the demand, the Commission may have to limit funding received by participants.

The agency has been challenged in determining the funding of central services, a legacy of combining various separate agencies and programs brought together to create HECC. This process includes the need for a federally approved indirect cost rate in determining the funding mix between various fund types for various central agency costs, including State Government Service Charges and many of the staffing and related costs in the Director's Office, Central Operations, and Research and Data units. When the 2019-21 budget was developed, the agency lacked a federally approved indirect cost allocation plan, and overly generous assumptions were made about the amount of Other and Federal Funds that could be used to pay for many of HECC's staff and operational costs. The indirect cost allocation plan was not approved until the Fall of 2020, and the rate that was approved was much lower than what had been assumed during the development of the budget. Early in 2021 session, the Legislature approved just under $5 million General Fund to backfill the missing revenues from 2019-21 indirect rate changes and other factors. Further work on the indirect rate continues, which will necessitate continued monitoring.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $135,616,357 General Fund and $482,457,547 total funds represents a $34,457,405, or 20.3%, General Fund decrease and an $40,096,849, or 7.7%, total funds decrease over the 2021-23 legislatively approved budget, primarily due to the phase out of one-time Future Ready Oregon funding. As part of the Future Ready Oregon investment, the 2022 Legislative Assembly allocated $167,385,390 total funds to HECC [$52,385,390 General Fund and $115,000,000 federal funding from the American Rescue Plan Act (ARPA) budgeted as Other Funds] of mostly one-time funding for initiatives intended to provide skill and job training to Oregonians to close the gap between the skills of Oregon workers and the needs of Oregon businesses. Of the

$52,385,390 General Fund investment, $35,229,016 was phased out. The remaining $17,156,374 included in the current service level budget reflects on-going investment for the Career Pathways and Industry Consortia programs, as well as $1,270,984 to continue the assessment of Future Ready Oregon programs. The entire $115,000,000 ARPA federal funds as Other Funds was phased out. The 2023-25 legislatively adopted budget includes $112 million in ARPA Other Funds to continue the implementation of Future Ready Oregon. Other adjustments to the HECC Operations and Other Programs in the 2023-25 legislatively adopted budget include:

- $100,000 General Fund for HECC to assist with the coordination of a financial sustainability report and proposal for additional financial sustainability funding for PSU and TRUS.
- $278,819 General Fund, $4,250,000 Other Funds, and three positions (2.88 FTE) to continue the project to replace the HECC Financial Aid Management Information System (FAMIS) begun during the 2021-23 biennium. The 2021 Legislature approved $5 million in Q-Bonds for the FAMIS project. This funding provides expenditure limitation for these bond proceeds. A budget note directs HECC to report on the status of the agency's IT Modernization Project to the Joint Legislative Committee on Information Management and Technology during the 2024 legislative session.
- $1,459,531 Other Funds and five positions (4.40 FTE) to provide direct services to Career and Technical Education (CTE) by leveraging the Carl D. Perkins Grant, which provides federal funds to support vocational education programs.
- $24,245,859 General Fund in continuing on-going support to maintain current level assistance for students eligible for the Tribal Student Grant program. The 2022 Legislature approved $19 million General Fund to implement the Oregon Tribal Student Grant program to provide grants to members of Oregon's nine federally recognized tribes to offset the cost of attending eligible Oregon colleges and universities. HB 3565 (2023) codifies this program. This investment also authorizes the establishment of one full-time Operations and Policy Analyst 3 position to help existing staff administer this program.
- $5 million General Fund for distribution to five entities that encourage and support students considering post-secondary education. Each of these programs will receive $1 million in one-time funding:

o ASPIRE - a mentoring-based program, will use the funds to expand the number of ASPIRE sites across the state and increase the size of the participation grants to expand college and career preparation resources, transition activities, career training resources, and staff/volunteer training for each site.

o College Possible - a program designed to reduce barriers to students in accessing post-secondary education, especially students from underserved backgrounds. This $1 million grant will assist the organization to serve students currently in the program and will increase the number of students served.

o Oregon TRIO Association (TRIO) - promotes educational equity, access, and opportunity for underrepresented students. This funding will be used for three initiatives: (1) a study abroad/exchange scholarship program for low-income students; (2) a "Last Mile" scholarship fund targeted to post-secondary students who are at risk of dropping out in their last year before graduation; and (3) to provide grant-writing training to organizations to increase the number of TRIO programs in targeted areas.

o Advancement via Individual Determination (AVID) - a program to prepare middle and high school students for four-year post-secondary institutions. Funding will be used for professional development for educators to assist their students, and to expand the AVID College Readiness System to additional school districts.

o Build EXITO - the National Institutes of Health's Building Infrastructure leading to Diversity initiative in Oregon, is an undergraduate research training program for students. This funding will increase the organization's recruitment efforts with partner community colleges in the Portland metro area, provide sophomore research preparation for students, and recruit professional research mentors at the Oregon Health and Science University and Portland State University.

- $800,000 General Fund increase to maintain current level assistance for students eligible for the Oregon National Guard State Tuition Assistance Program. This increase brings total support for the program to $5,119,455 General Fund.
- $10 million General Fund for deposit into the Oregon Conservation Corps Fund to fund grant supported projects related to the Oregon Conservation Corps Program, as part of a series of statewide investments related to wildfire prevention and management. The Oregon Conservation Corps Program was originally established in SB 762 (2021) to reduce the risk of wildfires, assist in the creation of fire-adapted communities, and engage youth and young adults in workforce training.
- $5 million Other Funds expenditure limitation for the second phase of the agency's IT Modernization Project, initially named the Financial Management Information System (FAMIS) project. The second phase will include the replacement of two additional legacy information systems: ETPL (Eligible Training Provider List System), and PCSVets (Private Career Schools and Office of Degree Authorization). The project replaces multiple out-of-date existing systems with one IT platform that consolidates HECC's data to provide students and job seekers with better access to assistance, while improving security and reporting functions. This information systems modernization project is financed with the proceeds from the sale of Article XI-Q Bonds. The project has approval for the May 2024 bond sale requiring $856,842 General Fund debt service for 2023-25. The budget includes the funding to pay this expense.
- $586,500 to grant to REAP, Inc. for REAP's Young Entrepreneurs Program (YEP) to create opportunities for young entrepreneurs in outer east Portland.
- $1.2 million to grant to Self Enhancement, Inc. for establishing an Underserved and Underrepresented Youth Cohort that will build a pipeline of diverse students who are ready to gain employment in the newly expanded semiconductor industry following the students' graduation from high school or a post-secondary institution of education.
- $2 million to grant to Building Blocks 2 Success for the purpose of increasing workforce development in the semiconductor industry, with a focus on enhancing: (1) a Science, Technology, Engineering, and Math (STEM) pipeline program for summer programming; (2) college preparation for individuals who will major in STEM fields at historically Black colleges and universities; (3) participation at STEM-based camps at Oregon State University; (4) wraparound supports for STEM interns; and (5) improving indicators of student success in semiconductor-related academic majors.
- $2 million General Fund, as part of a series of statewide investments related to rural infrastructure, for implementation and administration of a new maritime workforce development program supporting strategic investments in maritime workforce development programs and activities. This investment includes authorization for one permanent full-time Program Analyst position (0.75 FTE) to manage and monitor the maritime workforce grant process to local workforce development boards, community colleges, school districts, and other community organization; work with a program consultant contracted for data collection and analysis; and oversee other program activities to promote growth and development of the maritime workforce sector.
- $1,122,544 General Fund and the establishment of five positions (3.53 FTE) to establish the Sexual Misconduct Survey Council and develop a base survey for distribution to institutions of higher education as directed in HB 3456 (2023). HECC anticipates these positions will assist the agency in developing Council membership; coordinating with institutional and community-based partners; providing staff support to the Council; developing rules around the collection, analysis, and distribution of survey results; refining the survey methodology as needed; and annually reporting to the Legislature. HECC also plans to contract with a vendor to develop and refine the survey, with the expectation that the contract will cost $150,000 in the first year and $50,000 in every year thereafter.

The table below lists the total 2023-25 funding, positions, and FTE for each Office:

HECC Staffing, Operations, and Other Programs
2023-25 Legislatively Adopted Budget

	General Funds	Lottery Funds	Other Funds	Federal Funds	Other Funds Non-Limited	Federal Funds Non-Limited	Total Funds	Positions	FTE
Director's Office	11,230,172	-	13,441,800	653,628	-	-	**25,325,600**	17	17.00
Central Operations	15,668,427	-	9,344,894	2,383,721	-	-	**27,397,042**	48	46.88
Research and Data	4,923,573	-	4,375,213	414,880	-	-	**9,713,666**	24	21.28
Academic Policy and Authorization	2,164,652	-	3,291,588	-	206,000	-	**5,662,240**	15	13.24
Post Secondary Finance	2,100,313	-	-	-	-	-	**2,100,313**	5	5.00
Community College Staff	18,077,119	-	5,361,516	13,227,370	-	-	**36,666,005**	21	20.10
Workforce Investment Staff and Programs	41,276,236	-	136,294,040	118,872,590	-	20,536,302	**316,979,168**	40	39.25
Oregon Student Access and Completion (OSAC)	40,175,865	-	18,302,394	135,254	-	-	**58,613,513**	25	22.38
TOTAL	**135,616,357**	-	**190,411,445**	**135,687,443**	**206,000**	**20,536,302**	**482,457,547**	**195**	**185**

TEACHER STANDARDS AND PRACTICES COMMISSION

Analyst: Neburka

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	-	1,726,971	639,082	1,926,257
Other Funds	8,406,183	14,471,216	14,339,088	14,839,855
Total Funds	**8,406,183**	**16,198,187**	**14,978,170**	**16,766,112**
Positions	26	34	27	30
FTE	24.75	31.00	26.50	28.00

Overview

The Teacher Standards and Practices Commission (TSPC) is composed of 17 members who are appointed by the Governor and confirmed by the Senate. TSPC has three primary areas of responsibility:

- Establish rules for licensure and registration and issue licenses and registrations to teachers, administrators, school nurses, school counselors, and school psychologists.
- Maintain and enforce professional standards of competent and ethical performance and proper assignment of licensed educators.
- Adopt standards for college and university teacher education programs and approve programs that meet those standards.

The Commission, established in 1965 to maintain and improve performance in the education profession, is one of eleven independent Professional Educator Standards Boards in the nation. There are more than 70,000 educators licensed by TSPC (some have more than one license) with teachers representing over 86% of the licensees. For comparison, there are approximately 31,650 working teachers in Oregon's public schools.

Starting in the 2019-21 biennium, TSPC assumed a larger role in teacher diversification activities and in expanding the opportunity for alternative paths to licensure. Funding from the 2019 Student Success Act supports the Oregon Administrator Scholar program, the Diversity License Expenses reimbursement program, and has expanded the Multiple Measures student assessment, all programs designed to support and expand the pool of diverse educators seeking licensure in Oregon.

Revenue Sources and Relationships

License fees paid by regulated educators make up most fee revenue, with fingerprint-related background check fees being dedicated for that specific purpose. Basic licenses are for a three or five-year duration depending on the type of license. The fee for a new or renewed in-state basic teaching license is $182, increased from $140 in 2019. SB 129 (2021) established time limited fees on education preparation programs, increased the fee for relicensing after facing TSPC disciplinary action, and allowed administrative law judges to award reasonable attorney fees and court costs to the Commission. Additionally, a $5-per-license portal fee was implemented in 2021 to pay for a new Educator Data system. HB 2609 (2023) eliminated the fee on educator preparation programs before those fees could be collected.

Other revenues include Fund for Student Success dollars passed through from the Educator Advancement Council to support two programs designed to reduce barriers to educator diversity: the Oregon Administrator Scholars program, and the Diverse Licensees Reimbursement program.

Budget Environment

Starting in 2021, the agency has taken on additional responsibilities for supporting the diversification of Oregon's educator workforce. The Commission has developed licensing assessment systems that more equitably measure educator competency in subject matter and teaching performance and has supported the work required to participate in the Interstate Teacher Mobility Compact (SB 279, 2023). HB 2166 (2021) required TSPC to establish standards for nontraditional pathways to licensure and prescribe requirements for those standards. HB 3354 (2021) required TSPC to create a performance-based measure to determine whether a licensing candidate's knowledge, skills and compensation qualify the candidate for a teaching license. Additionally, the bill required TSPC to lower artificial barriers presented by standardized tests and to evaluate locally adopted assessment measures. HB 4030 (2022) required TSPC to conduct an educator license reciprocity review, study the current educator application processes across Oregon districts, directly assist applicants with educator licensure requirements, and establish an education workforce data system.

There remains a degree of uncertainty about the impact on the Commission's revenues from the changes in the structure of the licensing system that occurred in 2019. Longer terms for licensing (e.g., five-year licenses) are beginning to have a negative impact on revenues as fewer licenses are renewed each year. The 2019-21 biennium was the first full biennium that the impact was experienced. This uncertainty continued through 2021-23 and into the 2023-25 biennium as revenues are forecast to fall below estimated expenses. The 2021-23 budget addressed this potential revenue shortfall through position reductions, establishment of new fees, and a transfer of resources from the fund used to support educators working on their National Board Certification. Programs authorized by the Legislature in 2021 and 2022 were funded with General Fund, and policy option packages included in the agency request budget for 2023-25 were largely proposed to be funded with General Fund resources in order to avoid further fee increases.

The 2021-23 TSPC budget included a limited duration project manager position to coordinate the planning for a replacement of the agency's e-licensing system, which was purchased in 2016 but was never fully operational. The 2023-25 budget includes resources to both finish the project and operate and maintain it after completion.

Legislatively Adopted Budget

The total funds budget for the Teacher Standards and Practices Commission for 2023-25 of $16.8 million is $0.6 million, or 3.4%, greater than the 2021-23 total funds budget. The budget includes 30 positions (28.00 FTE). The growth in the budget is in large part due to one-time projects planned for the 2023-25 biennium.

Major changes in the budget include:

- The addition of $982,175 General Fund, $365,667 Other Funds, and two positions (1.00 FTE) to purchase, implement, and maintain an e-licensing system for educators. One IT Project Manager position is limited duration for the implementation phase of the project (0.50 FTE), and one system administrator position (0.50 FTE) is a permanent, ongoing position for operation and maintenance of the system after implementation. The General Fund for this project is a one-time resource during the 2023-25 biennium.
- SB 283 (2023) provided $205,000 General Fund and one part-time, limited duration Operations and Policy Analyst 4 position (0.50 FTE) for TSPC to develop a plan to establish and maintain a statewide jobs portal and workforce database for education. Additionally, SB 283 provided $100,000 General Fund on a one-time basis for the conversion of teaching licenses into substitute teaching licenses, which will allow retired teachers to convert their teaching licenses into substitute teaching licenses within three years of retirement at no cost.

HUMAN SERVICES

PROGRAM AREA

Commission for the Blind

Analyst: Sosne

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	6,140,868	5,988,243	6,393,087	7,829,032
Other Funds	1,268,014	1,083,040	1,135,397	1,133,931
Federal Funds	16,379,029	19,612,485	18,847,749	18,857,846
Total Funds	**$23,787,911**	**$26,683,768**	**$26,376,233**	**$27,820,809**
Positions	66	69	66	66
FTE	65.96	66.42	66.00	66.00

Overview

The mission of the Oregon Commission for the Blind (OCB) is to empower Oregonians who are blind or visually impaired to fully engage in life. The agency's programs are focused on two main objectives: employment and independence. The Commission is a consumer-controlled, seven-member board appointed by the Governor. The board appoints the agency's executive director. The agency is organized into the following five program areas: Vocational Rehabilitation, the Orientation and Career Center, Business Enterprises, Independent Living Services, and Administration Services.

Vocational Rehabilitation is the agency's largest program with the goal of assisting Oregonians who are blind or visually impaired to develop skills to maintain or obtain employment. The program includes vocational rehabilitation counseling and planning, training and education, job placement assistance, and assistance for students making the transition from high school to either college or work. These services are provided in regional offices throughout the state. This program also assists Oregon businesses in hiring, retaining, and promoting qualified employees who are blind.

The Orientation and Career Center is a comprehensive teaching center that provides career exploration counseling and comprehensive pre-vocational training on skills, such as cane travel, adaptive technology, and Braille. Training facilities and staff are primarily located in Portland with satellite labs located in Salem, Eugene, Redmond, and Medford. The program also performs job site modification evaluations and recommendations.

Business Enterprises provides business management opportunities, vocational training, and licensing support to business managers who are blind to manage food service and vending machine businesses located in public buildings throughout the state. The federal Randolph-Sheppard Vending Stand Act, enacted in 1935, requires managers of federal buildings to offer blind persons opportunities to establish and operate cafeterias or vending machines. Oregon enacted similar legislation in 1957 that was amended in 2017 under HB 3253 and in 2019 under HB 3431.

Independent Living Services provides training and resources to help Oregonians adjust to vision loss and enable them to live independently in their homes and communities in lieu of moving into assisted living or care facilities. Specialized rehabilitation teachers provide in home services, such as performing assessments; providing referrals to health providers and other assistance programs; and training the techniques of daily living, including orientation and mobility, meal prep, adaptive devices, and Braille.

Administration Services coordinates the mission and goals of the agency and manages human resources, budget, accounting, operations, and information systems. The Workforce Innovation and Opportunity Act of 2014 requires states to enhance coordination and partnerships across state agencies and local entities to receive federal funding. As part of this reform, beginning with the 2017-19 biennium, the Administration Services unit houses support staff for the Rehabilitation Services Unit and performs data collection, auditing, and other accountability functions for the Workforce/Employer Engagement Team. This team is charged with improving collaboration across agencies, workforce boards, employers, and educational institutions to integrate and improve efficiency in service delivery and better align federal investments in job training.

Revenue Sources and Relationships

The Commission's budget is comprised of 28% General Fund, 4% Other Funds, and 68% Federal Funds. The largest revenue source is from federal formula grants from the U. S. Department of Education and the U.S. Department of Health and Human Services to administer vocational rehabilitation and independent living programs. These federal grants can only be expended in the manner prescribed by federal law, regulations, and grant agreements, and require a state contribution in the form of matching grants. The federal programs also require a maintenance of effort (MOE) based on the prior two years of funding. If state funding is reduced, an equivalent amount of federal funding is lost. The MOE agreement includes funding from both the Commission for the Blind and Department of Human Services (DHS). Federal Funds revenue projections for the 2023-25 biennium are based on a 1.9% annual inflationary assumption for the Vocational Rehabilitation grant award. General Fund and certain Other Funds are used to meet the federal maintenance of effort and matching requirements. Required match rates are as follows:

- Vocational Rehabilitation basic support – 78.7% federal and 21.3% state.
- Supported Employment – half of the grant is 90% federal and 10% state; the remaining half is 100% federal.
- Independent Living (Older Blind and Part B) – 90% federal and 10% state.

Most of the Commission's federal funding comes from the U. S. Department of Education Rehabilitation Services Administration (RSA), as authorized by the Rehabilitation Act of 1973. The Workforce Innovation and Opportunity Act of 2014 (WIOA) replaced the Workforce Investment Act of 1998 and amended the Rehabilitation Act. WIOA designates the RSA as the principal funding agency to oversee the national Vocational Rehabilitation (VR) system throughout the nation, in collaboration with the U.S. Department of Labor and other workforce entities. WIOA requires state VR agencies to make pre-employment transition services available to all students with disabilities and to set-aside at least 15% of federal VR program funds towards providing these services for students with disabilities transitioning from secondary school to postsecondary education programs and competitive integrated employment.

WIOA also provides restrictions on the use of administrative costs applied to the 15% set aside and dedicates half of the federal Supported Employment program funds to support youth with the most significant disabilities, including extended services, to enable them to obtain competitive integrated employment (extended services for adults is not allowed). WIOA directs states to increase opportunities to assist employers in providing work-based experience for individuals with disabilities and ensure that priority is given to individuals who are eligible for VR program services and at imminent risk of losing their jobs unless they receive additional necessary post-employment services. DHS traditionally received 87.5% of Section 110 Vocational Rehabilitation basic support grant funding with the Commission receiving the remaining 12.5%. Beginning in the 2017-19 biennium, the Commission's budget reflects an update in the memorandum of understanding between DHS and the Commission to adjust OCB's percentage of Section 110 Vocational Rehabilitation basic support grant funding from 12.5% to 15.6% to align Oregon with the national average ratio.

Other Funds revenue sources include third-party cooperative agreements with school districts and other providers, business enterprise vendor assessments, and donations. Other Funds revenues are projected to total approximately $1.1 million in 2023-25, which is a 4% increase from the 2021-23 legislatively approved budget. The WIOA introduced Pre-Employment Transition Services to the public vocational rehabilitation system. These services, provided by the vocational rehabilitation agencies to in-school youth, are required to make up 15% of the expenditures of the federal award. Prior to WIOA, the agency had utilized third-party agreements with school districts to provide the non-federal portion to match the federal award. To be compliant with federal grant requirements, agreements need to be based on a cost reimbursement model according to the actual services provided, which reduces available Other Funds revenue utilized to match the federal VR award.

The Business Enterprise (BE) program administers the Federal Randolph Sheppard Vending Stand Act and Oregon's vending program, contracting with public agencies and sets up cafeteria, snack bar, and vending machine management businesses in public buildings. The program then sub-contracts with licensed blind managers to provide services to facilities. Licensed blind managers direct the day-to-day operations, retaining most of the profits they generate. The managers pay 11% of their net earnings as a set-aside to support the BE program. The set-aside is used for continuing training of the licensed blind managers, as well as maintenance, repair, and purchasing of equipment. The BE program is funded primarily by federal VR funds that are leveraged by the set-aside and a small amount of General Fund.

The managers in the BE program have been significantly impacted by the COVID-19 public health emergency. The vending management business model depends on offering food service and vending to employees and visitors in public buildings and facilities. The temporary closure of public buildings during the COVID-19 pandemic and a sustained work-from-home environment have resulted in a sharp decline in vendor revenue. Currently, the BE program has 15 individuals operating food service and vending machines sites throughout Oregon. In 2021, these locations generated approximately $383,618 in gross sales, which was a 90% decrease from pre-pandemic sales. Likewise, the average income per manager declined 51% from 2019 and was approximately $24,961 in 2021. Estimated average income per manager is expected to increase modestly in 2023 and 2024 but remains far below pre-pandemic levels.

Budget Environment

The Office of Economic Analysis projects the elderly population (65 and older) will increase rapidly over the next six years leading to a dramatic increase in demand for public services designed for this age cohort. Most causes of blindness are age-related such as macular degeneration, cataracts, diabetic retinopathy, and glaucoma. As Oregon's population ages, investment in visual impairment and blind services will become an important consideration for the legislature. The National Institute of Health estimated in 2016, that the number of Americans with a visual impairment (20/40 vision or worse) would double by 2050. The same study projected legal blindness would increase by just over 20% per decade through 2050.

While adults aged 65 and older are the largest group experiencing vision impairment and blindness, the Center for Disease Control notes that lifestyle-related chronic illnesses, such as diabetes, are increasing the prevalence of this condition in younger adults and youth. Per the American Diabetes Association, diabetes is the second leading risk factor for cataracts and the leading cause for visual impairment for individuals of working age. Per the American Diabetes Association, as of 2022, 10.8% of Oregon's adult population was diagnosed with diabetes.

The American Academy of Ophthalmology released a study in 2021 that concluded the economic burden of vision loss for the United States is $134.2 billion, of which $98.7 billion are direct costs. The main driver of this economic burden is nursing home care ($41.8 billion), moving adults with vision loss to a nursing facility as they are no longer able to safely reside in their homes. Additional drivers were, medical care, vision rehabilitation and special education.

Funding for visual impairment and blind services is provided, in part, by the Federal Rehabilitation Act which prescribes which services are provided and eligibility for those services. The Workforce Innovation and Opportunity Act (WIOA) requires the Commission spend 15% of their federal award for pre-employment transition services to in-school youth. The WIOA requirements put a strain on the remainder of grant resources to maintain the level of services provided to all other eligible clients in the CR program who need services, training, and support to obtain and maintain employment. While the Commission does provide this required service for school-age youth, it's important to note that the Department of Education is the primary provider of services for blind students.

Independent Living Services in the form of rehabilitation teaching interventions can delay or eliminate the need for other expensive state funded support. Based on the current rates established by the Department of Human Services and the Aging and Disability Resource Connection, these interventions mitigate the need for nursing or assisted living care and help avoid costs to the state ranging from $27,738 for assisted living to $118,590 for nursing home care per individual per year. Under WIOA, Congress moved the Independent Living program for individuals under the age of 55 from U.S. Department of Education to the U.S. Department of Health and Human Services, Administration for Community Living. This change also limited grantees to one per state. In Oregon, the designated state entity is the Department of Human Services. The Commission has since developed an interagency agreement with DHS to continue the program as a service provider. The agreement requires that the Commission provides the state match required for the portion of the grant that is distributed to the Commission under the agreement.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Commission for the Blind totals $27.8 million, which is a $1.1 million, or 4.3%, increase from the 2021-23 legislatively approved budget. The General Fund budget is $7.8 million, which is an increase of $1.8 million, or 30.7%, from 2021-23. In addition to inflationary and other current service level adjustments, the adopted budget includes the following ongoing investments:

- $400,000 General Fund to permanently fund the Summer Work Experience Program, which offsets funding OCB traditionally received from the Oregon Department of Education (ODE) Blind and Visually Impaired Student Fund. This fund has decreased over time and ODE denied OCB’s previous application for funding.
- $64,349 General Fund and a net increase of $62 Federal Funds for changes in the mix of funds used to support staff in the Independent Living Older Blind program. Previously, 25% of the funding came from vocational rehabilitation requiring the staff also dedicate 25% of their time to vocational rehab; however, vocational rehab had less need and this change permits staff to focus on 100% of their time on Independent Living-Older Blind needs.
- $23,664 General Fund and $34,501 Federal Funds to permanently reclassify 10 positions currently working out of class.
- $234,260 Federal Funds allows OCB to fund the upward reclassification of 36 Vocational Rehabilitation 3 positions. The higher designation was approved by the Department of Administration Services Chief Human Resources Office and reflects the increased workload and responsibility of existing staff.
- $952,421 General Fund for completion of phase two of the IT Case Management Modernization project and the transition to the Department of Administrative Services (DAS) IT Desktop Support and DAS Data Center.

The adopted budget meets federal maintenance of effort requirements and allows the Commission to match all available federal funds.

OREGON HEALTH AUTHORITY

Analyst: Stayner

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	2,412,898,628	3,476,017,225	5,331,395,972	5,514,969,561
Lottery Funds	17,296,110	19,670,002	26,581,377	29,481,244
Other Funds	7,925,747,798	11,124,934,157	9,654,430,147	10,160,390,735
Other Funds (NL)	265,902,399	40,000,000	40,000,000	40,000,000
Federal Funds	13,604,325,358	19,011,721,291	17,959,470,727	19,926,259,516
Federal Funds (NL)	58,607,977	102,729,051	102,729,051	102,729,051
Total Funds	**24,284,778,270**	**33,775,071,726**	**33,114,607,274**	**35,773,830,107**
Positions	4,394	5,334	5,190	5,661
FTE	4,300.20	5,096.16	5,162.06	5,556.17

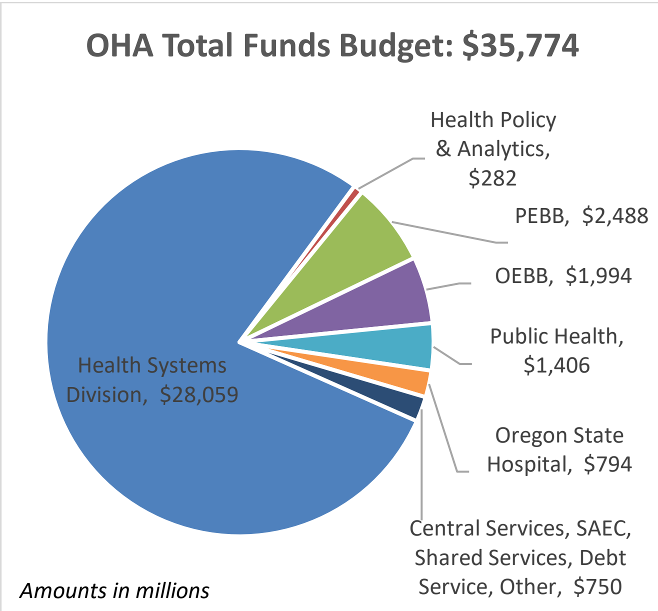
Overview

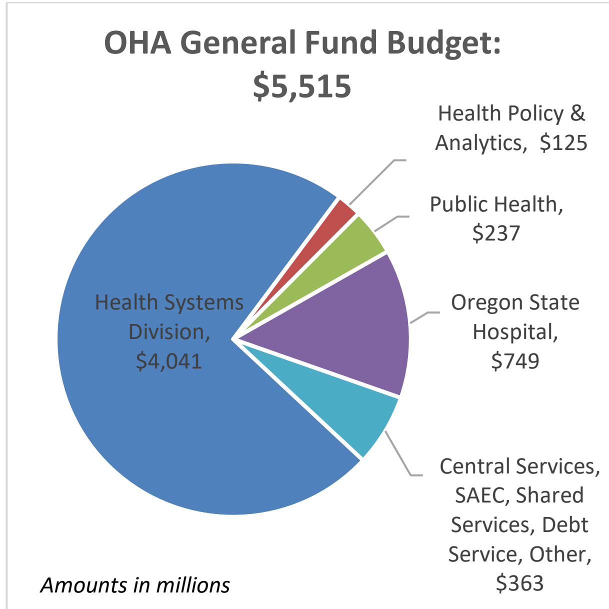
The Oregon Health Authority (OHA) was created in 2009 through the consolidation of most health-related programs into a single agency. The nine-member citizen-led Oregon Health Policy Board serves as OHA's policy and oversight body. Since its inception, OHA has had three goals to transform the health care system in Oregon: improve the lifelong health of Oregonians; increase the quality, reliability, and availability of health care; and lower or contain the cost of health care to make it affordable to everyone. Since 2020, the agency also has the overarching goal of eliminating health inequities in Oregon by 2030.

OHA's budget currently purchases health benefits for over 1.6 million Oregonians, or nearly 40% of the state's population, who are enrolled in coverage through Medicaid or Medicaid-equivalent programs, and employer-sponsored coverage for public employees. The budget is organized into the following nine program areas:

- *Health Systems Division* – supports Medicaid and equivalent health care benefits, which are provided mostly through the Oregon Health Plan (OHP), and non-Medicaid behavioral health services.
- *Health Policy and Analytics Division* – provides policy support, technical assistance, and access to health information statistics and tools to organizations and health care providers.
- *Public Employees' Benefit Board (PEBB)* – administers health insurance coverage for state government and public university employees.
- *Oregon Educators Benefit Board (OEBB)* – administers health insurance for school districts, education service districts, and community colleges.
- *Public Health Division* – provides various services to protect and promote the health of all Oregonians and their communities.
- *Oregon State Hospital* – provides 24-hour psychiatric care for adults from all 36 counties at the Salem and Junction City campuses.
- *Central Services* – responsible for agency leadership and business support functions.
- *State Assessments and Enterprise-wide Costs (SAEC)* – supports state government assessments, usage charges, agency-wide costs, and debt service payments.
- *Shared Services* – supports certain business functions for both OHA and the Department of Human Services.

OHA's budget represents the largest total funds budget of any state agency. Most of the agency's funding is reserved for payments to non-state government organizations for providing health care services to Oregonians enrolled in OHP, PEBB, and OEBB. The following charts summarize the 2023-25 legislatively adopted total funds and General Fund budgets for each program:





<u>Revenue Sources and Relationships</u>

OHA is funded with a mix of General Fund, Lottery Funds, Other Funds, and Federal Funds revenues. Most of the agency's $5.5 billion legislatively adopted General Fund budget is used to match federal revenue to support Medicaid expenses, pay for non-Medicaid behavioral health services, and operate the Oregon State Hospital. OHA's Lottery Funds budget is available from three sources. First, a statutory distribution of 1% of net lottery proceeds is dedicated for gambling addiction prevention and treatment services. This distribution totals an estimated $18.3 million in 2023-25. The second represents a portion of lottery proceeds constitutionally dedicated for veterans' services through the passage of Ballot Measure 96 (2016). OHA uses this funding, which totals $4.9 million in 2023-25, for veterans' behavioral health services ($2.2 million) and dental services ($2.7 million) pursuant to an interagency agreement with the Oregon Department of Veterans' Affairs. Finally, $6.9 million in lottery revenue available outside of specific statutory and constitutional distributions is for debt service on lottery revenue bond proceeds amounting to $70 million between 2021-23 and 2023-25 for increasing behavioral health housing capacity.

The agency's 2023-25 Other Funds budget totals $10.2 billion. Prominent sources of this revenue include health care provider and insurer assessments used to match federal Medicaid revenue; the portion of tobacco tax revenues statutorily dedicated for Medicaid, mental health programs, and tobacco prevention and cessation services; Tobacco Master Settlement Agreement funding allocated for Medicaid and behavioral health programs; marijuana, beer, and wine taxes statutorily dedicated for behavioral health services; and insurance premiums used to support health care benefits administered by PEBB and OEBB. The agency also receives Other Funds revenue from various licensing fees, estate collections, third-party recoveries, pharmaceutical rebates, and charges for services.

The adoption of two statewide ballot measures in the November 2020 general election significantly increased Other Funds revenues available to OHA. Ballot Measure 108 increased cigarette and vaping taxes, which provides total forecasted tobacco tax revenue available to OHA in 2023-25 of $709.1 million for Medicaid and tobacco cessation and prevention programs. Additionally, Ballot Measure 110 decriminalized the possession of limited amounts of controlled substances and diverted marijuana tax revenue from its original statutory purposes to begin a new substance use disorder treatment and recovery model supported through the redirection of most of the state's retail marijuana tax receipts. Marijuana tax revenue available for deposit into the new Drug Treatment and Recovery Services Fund (DTRSF) in 2023-25 is forecasted to be $196.6 million, with an additional $35.5 million in carryover from 2021-23. Ballot Measure 110 also requires the savings attributed to the measure's sentencing reductions be transferred to the DTRSF, as calculated by the Department of Administrative Services (DAS). This calculation, which is included in the DAS Office of Economic Analysis May 2023 state revenue forecast, resulted in the transfer of $39.2 million to the DTRF, which includes $2.2 million from savings in 2021-23 and $37 million from savings in 2023-25.

Federal Funds represent 56%, or $20 billion, of OHA's 2023-25 legislatively adopted budget. Over $18.7 billion of this amount supports Medicaid programs in the Health Systems Division and is linked to a combined $7.6 billion in General Fund and Other Funds matching dollars. The level of Federal Funds available for Medicaid benefits is based on match rates, known as the Federal Medical Assistance Percentage (FMAP). Oregon's FMAPs are decreasing, which results in additional state funds being required to pay for Medicaid services. Offsetting these expenses are the final two quarters of the temporary enhancement to states' FMAPs based on federal policies adopted in 2020 in response to the COVID-19 pandemic. Additional detail on Oregon's FMAP changes is discussed below. Federal Funds also support a significant portion of the Public Health Division's budget through various federal grant programs.

Included in the overall Other Funds and Federal Funds amounts discussed above are certain expenditures designated as nonlimited, which can be increased administratively if the revenue is available. All nonlimited expenditures in OHA's legislatively adopted budget support the Women, Infants and Children (WIC) program in the Public Health Division. This includes $40 million in Nonlimited Other Funds revenue from rebates from manufacturers of infant formula provided to WIC participants and $102.7 million in Nonlimited Federal Funds from payments to support program services.

<u>Budget Environment</u>
Given the broad range of agency services and funding sources, OHA operates within a complex and dynamic budget environment. Demographics and economics, health care cost inflation and utilization, state and federal policies, and stakeholder interests greatly influence this budget. Since 2020, the COVID-19 pandemic and its disproportionate impact on tribal communities and communities of color have magnified the effect of these challenges and become one of the principal factors defining OHA's budget environment and agency goals. The information below provides a snapshot of these issues.

COVID-19 Response, Medicaid Caseload, and the Public Health Emergency: OHA led the state's public health response to the COVID-19 pandemic, with most of the responsibility falling to the Public Health Division. OHA and the Department of Human Services (DHS) also established the joint Coronavirus Response and Recovery Unit (CRRU) as a new temporary shared agency service in May 2020. The CRRU provided resources, coordination, and support for state and local agency response efforts.

Enhanced FMAP Phase-Out	Medicaid FMAP Percentage Point Increase	CHIP FMAP Percentage Point Increase
January 1 - March 31, 2023	6.20%	4.34%
April 1 - June 30, 2023	5.00%	3.50%
July 1 - September 30, 2023	2.50%	1.75%
October 1 - December 31, 2023	1.50%	1.05%

The COVID-19 public health emergency (PHE) declared on January 31, 2020, by the Secretary of Health and Human Services has had a significant impact on states' Medicaid caseloads. As a condition of receiving an enhanced FMAP of 6.2 percentage points during the PHE, states were required to discontinue the process of redetermining Medicaid eligibility until the emergency ended. The result was significant caseload growth as those who normally would have been disenrolled maintained coverage. In December 2022, Congress passed the Omnibus Consolidated Appropriations Act of 2022 and directed all states to begin their redeterminations no later than April 1, 2023, effectively decoupling the redetermination start date from the end of the PHE. Once started, states have 14 months to complete the redetermination process.

The new law also changed the phase-out of the 6.2% enhanced FMAP. Instead of the immediate dissolution of the increased rate upon the expiration of the PHE, which occurred May 11, 2023, the new law phases-out the enhanced match over the course of the 2023 calendar year. As a result, the final two quarters for enhanced FMAP are the first two quarters of the 2023-25 biennium, which results in $64 million in savings to the General Fund.

OHA estimates a wide range of 90,000 to 300,000 OHP members could be determined no longer eligible for benefits. The Legislature passed HB 4035 in the 2022 session to create a pathway for Oregonians earning between 138-200% of the federal poverty level to remain covered by OHP until a new Basic Health Plan starts in July 2024. The 2023-25 OHA budget includes nearly $750 million in total funds to support the redetermination process, the extension of benefits (also called the "bridge plan"), and the startup of the Basic Health Plan.

Outside of the Medicaid caseload growth and some isolated General Fund allocations from the Emergency Board, the agency's COVID-19 costs have largely been supported with federal revenue approved through the passage of multiple federal budget measures and reimbursement of eligible costs from the Federal Emergency Management Agency (FEMA). Beginning July 1, 2022, the federal government requires states to provide a 10% match.

Medicaid Policy: The federal revenue OHA receives is tied to a significant body of federal law and administrative rules. This is particularly true with Medicaid, which is governed by waivers of certain federal regulations that allow Oregon to tailor its Medicaid services to the unique needs of the state. Medicaid waivers and corresponding amendments must be approved by the federal Centers for Medicare and Medicaid Services (CMS). Most of OHA's General Fund budget is used to match federal revenue as part of these agreements. Consequently, General Fund reductions typically result in the loss of federal revenue and might not be possible to implement without reducing Medicaid eligibility and/or services.

In 2022, OHA received approval for a new five-year Section 1115 Demonstration Waiver that included significant enhancements (Section 1115 refers to the authorizing section of the Social Security Act). While requiring an additional investment of $138.5 million General Fund, $781.7 million in new federal funds was made available. The waiver established continuous eligibility for children under age six and increased the eligibility redetermination period for adults from annually to every two years, which reduces the number of OHP members who cycle in and out of eligibility due to income fluctuations. The new waiver also includes over $500 million in federal dollars to support social determinates of health (also called health-related social needs, or HRSN) as Medicaid benefits, to include housing, food support, and items like air conditioners. HRSN benefits are 100% federally funded through 2027, but will then require a state match that could be considerable as the program grows.

Economic Changes: During economic downturns, demand for OHA's services increases and program caseloads grow. Oregon's economy is also linked to the FMAP the state receives for most Medicaid caseloads. When Oregon's per capita personal income increases relative to the national average, Oregon's FMAP decreases, meaning additional state funds are needed to support the same level of Medicaid services. Likewise, when Oregon's per capita personal income decreases relative to the national average, Oregon's FMAP increases and saves state dollars. The federal government calculates each state's FMAP by using income trends from the three most recent calendar years of available data, which is nearly three years removed from the effective date of a state's FMAP. For instance, the federal fiscal year 2024 FMAPs were calculated using calendar year 2019-2021 income data. Consequently, a state's FMAP could decrease when its economy and tax collections are declining. Because Oregon's per capita income has outpaced the national average for the past several years, the state's FMAP has mostly declined since 2017, which has significantly increased the share of General Fund and other state revenue needed to support Medicaid programs.

Health Care Inflation and Utilization: OHA uses $30.8 billion of its $35.8 billion total funds budget for comprehensive health care coverage through Medicaid, PEBB, and OEBB. Given the magnitude of these costs, even small inflationary adjustments result in significant cost increases. Health care inflation has typically outpaced general economic inflation, resulting in health care continuing to consume a larger share of the state's current service level budget. In 2012, the state began to cap Medicaid cost increases to contain spending and create more predictable budget environments. This approach led to a fixed Medicaid growth cap of 3.4% per member per year, which represented two percentage points below the national trend at the time. Although the national health care cost trend has fluctuated since then, the state has maintained the annual 3.4% cap and extended it to PEBB and OEBB.

Individuals' utilization of health care services and the way the state pays for those services are also important factors in OHA's budget. Historically, health care services were mostly paid according to a fee-for-service model, which based reimbursement according to the number and type of services provided to patients. This approach may incentivize providers to deliver more services that do not help patients become healthier. Oregon's coordinated care model has largely moved the state away from this approach by increasing the number of individuals enrolled in coordinated care organizations (CCOs), which receive fixed monthly capitation payments for each enrollee regardless of the quantity and type of services utilized. By holding CCOs accountable for achieving defined quality health metrics, this model intends to incentivize CCOs to manage chronic conditions, reduce unnecessary and costly medical services, and improve health outcomes for enrollees. PEBB and OEBB have also adopted the coordinated care model by increasing enrollment in patient-centered primary care homes.

Stakeholder Interest: Over 80% of OHA's budget is earmarked for special payments to health care providers, local governments, insurance companies, and others who deliver services. As a result, numerous organizations, trade associations, labor unions, advocates, and clients have a direct economic interest in this budget. When budget reductions need to be made, or major enhancements are proposed, these groups become actively involved in the surrounding legislative discussions.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for OHA totals $35.8 billion, which includes $5.5 billion General Fund and 5,661 positions (5,556.17 FTE). This represents a total funds increase of $2 billion, or 7.4%, a General Fund increase of $2 billion, or 58.7%, and a staffing increase of 327 positions compared to the 2021-23 legislatively approved budget. The largest factors for this growth are medical inflationary expenses, OHP caseload growth, the new Medicaid waiver, the full implementation of the Healthier Oregon Program, the creation and implementation of the Basic Health Plan, and new investments in behavioral health and public health. The General Fund growth is net of significant savings from increased tobacco tax revenue available from the passage of Ballot Measure 108 (2020), the final two quarters of the temporary PHE FMAP increase, and growth in OHP provider and insurer assessment revenue. The budget does not include cuts to services, and inflation for health care services is maintained at 3.4% per member per year.

Health Systems Division

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,463,100,156	2,493,398,050	4,008,979,772	4,041,152,985
Lottery Funds	16,772,247	18,924,562	21,818,571	22,501,583
Other Funds	3,370,875,287	4,873,990,216	4,457,803,893	4,948,433,050
Federal Funds	13,104,558,231	18,048,069,536	17,149,894,333	19,046,912,748
Total Funds	**17,955,305,921**	**25,434,382,364**	**25,638,496,569**	**28,059,000,366**
Positions	384	560	538	699
FTE	340.67	495.18	529.75	660.80

Program Description

The Health Systems Division (HSD) is OHA's largest program in terms of budgeted resources, excluding staff. HSD is comprised of three main budget units: (1) Medicaid, which provides health care services to eligible low-income Oregonians; (2) Non-Medicaid Behavioral Health, which supports mental health and substance use disorder treatment for individuals who are ineligible for Medicaid, as well as services that are ineligible for Medicaid reimbursement; and (3) Program Support and Administration, which provides the operational support for both Medicaid and Non-Medicaid services.

Medicaid Programs

Program Description – Medicaid

Medicaid provides medical assistance to 1.4 million Oregonians through a state-federal partnership in which both governments define program eligibility and services and share in the cost of providing services. The Oregon Health Plan (OHP) is OHA's primary Medicaid program with respect to the number of enrollees and level of program expenditures. Some individuals, however, are eligible for only limited (non-OHP) Medicaid services. Medicaid represents OHA's largest program budget, and program expenditures are made in the form of special payments to coordinated care organizations and health care providers.

Coordinated Care Model: Since 2012, most Medicaid services are administered by coordinated care organizations (CCOs), currently totaling 16, across all regions of the state. A CCO is a network of health care providers who agree to work together in local communities to serve OHP members. CCOs focus on prevention; chronic disease management; early intervention; and integration of physical, behavioral, and oral health. Approximately 90% of OHP members are enrolled in a CCO with the remaining 10% enrolled in fee-for-service, or "open card" plans.

OHA compensates CCOs through capitation rates, which are the per member per month amounts OHA pays CCOs to coordinate the health care of OHP members. The process and methodology used to develop the capitation rates is governed by federal and state regulations. The Centers for Medicare and Medicaid Services (CMS) requires Medicaid capitation rates to follow applicable actuarial standards. As opposed to traditional fee-for-service payments, the intent of the capitation payment model is to incentivize CCOs to improve health outcomes by focusing on prevention and chronic disease management, thereby reducing emergency room visits and other higher, costlier levels of care.

Medicaid costs remaining under the fee-for-service model are directly paid by OHA to doctors, hospitals, federally qualified health centers, rural health centers, pharmacies, dentists, and other health care providers. Individuals enrolled in fee-for-service are those who are eligible to be enrolled in a CCO but have chosen fee-for-service based on one or more available exemptions, such as individuals who are tribal members. Certain costs are also carved-out of the CCO model and reimbursed on a fee-for-service basis for all individuals. Examples include reimbursement for mental health drugs, adult mental health residential treatment services, and targeted case management.

OHP / Non-OHP Services: Two broad distinctions exist regarding the medical assistance programs budgeted in HSD Medicaid. First, OHP coverage includes comprehensive medical assistance as part of the state's Medicaid waiver under Title XIX of the Social Security Act, the Children's Health Insurance Program (CHIP) under Title XXI of the Social Security Act, the state Reproductive Health Equity Act, and the Healthier Oregon Program (HOP). While similar to Medicaid, CHIP has important distinctions under federal law. The federal government created CHIP in 1997 as an option for states to expand health care services to uninsured children whose families earn too much to qualify for Medicaid but not enough to afford insurance, with household income eligibility being up to 300% of the federal poverty level (FPL). States have the option of administering CHIP through a Medicaid expansion program, a separate state program, or a combination of both. In 2022, OHA changed its CHIP designation from a state program to a Medicaid expansion program, which allowed the state to leverage increased federal match for Indian Health Services and family planning services, and additional drug rebate revenue, as well as extend coverage to families who have third-party liability insurance.

Another key difference between CHIP and Medicaid is how the federal government finances each program. Unlike Medicaid, federal matching funds for CHIP are capped according to allotments using each state's recent spending experience increased by a growth factor. If a state exhausts its allotment, the state can use carryover funds from the prior allotment, if available, or request CMS to reallocate unused funds from other states. Congress must also act periodically to reauthorize funding for the program. After CHIP funding lapsed for three months starting in late 2017, many states, including Oregon, temporarily used carryover or redistributed funds to maintain CHIP services. In 2018, Congress reauthorized federal CHIP funding through September 30, 2027.

OHP is largely governed by the federal-state partnership for both Medicaid and CHIP because the overwhelming share of the OHP caseload meets the eligibility requirements for these programs. As with other states, Oregon has flexibility to design the state's Medicaid and CHIP policies within broad federal guidelines through waivers and state plans approved by CMS. The state plans and waivers detail program eligibility, available services and benefits, and provider reimbursement. These three elements—eligibility, benefits, and reimbursement—are the main cost drivers of the OHP budget.

The Healthier Oregon Program (HOP) is an OHP, non-Medicaid program that covers members who meet eligibility requirements for OHP except for their citizenship status. Initiated in HB 3352 (2021), the Legislature appropriated $100 million to provide coverage for the first year of HOP, effective July 1, 2022. The funds necessary to implement HOP pertained only to coverage for the adult HOP caseload because children were already covered as a part of the Cover All Kids program that became part of HOP. HB 3352 authorized OHA to limit HOP enrollment during its first year due to the $100 million capped budget. During this implementation period, only those from age 19-25 and over 55 were enrolled in the program. Starting July 1, 2023, all age groups became eligible for enrollment. The 2023-25 current service level budget for OHA included full implementation, which netted to an additional $462 million General Fund after the spring 2023 caseload forecast.

The non-OHP component of the HSD Medicaid budget includes expenditures for individuals who receive limited services through OHA because they are dually eligible for both Medicare and Medicaid. Non-OHP expenditures also include General Fund payments to the federal government to comply with the Medicare Part D requirements for outpatient prescription drug coverage provided to clients dually eligible for Medicare and Medicaid. Known as a "clawback," states pay the federal government an amount intended to represent most of the expenditures the state would have made had this coverage remained a Medicaid expense and not transitioned to Medicare.

Eligibility / Caseload Categories: Under federal law, anyone who applies for Medicaid and meets the eligibility criteria established in the state's Medicaid plan must be enrolled for coverage regardless of the state's financial ability to pay. If a state wants to reduce eligibility, it must first receive approval from CMS. Prior to Medicaid expansion under the Affordable Care Act (ACA), adults qualified for Medicaid according to specific life circumstances, such as being pregnant or having a disability, and by meeting income eligibility requirements. Although the ACA expanded coverage to adults who do not belong to a categorial designation but meet Medicaid's other eligibility criteria, states must continue enrolling applicants according to these specific caseload designations when they are met. Only when an individual's eligibility status is based on income and citizenship will that person be counted as part of the ACA caseload. This is important from a budget standpoint because states receive a higher federal match for the ACA caseload than they do for categorical caseloads. The following table summarizes the existing Medicaid caseload categories funded in OHA's budget:

Coverage	Eligibility Description	Income Eligibility (FPL)
Oregon Health Plan (Medicaid)	**Children's Medicaid** – children 0-18 eligible for Medicaid based on household income	138% - 190%
	Affordable Care Act – adults 19-64 who meet Medicaid's income eligibility requirements and are not eligible under other Medicaid caseload categories	138%
	Foster, Substitute and Adoption Care – children in foster care or adopted by parents who receive adoption assistance and individuals under 26 who were enrolled in Medicaid and in foster care upon turning 18	N/A
	Parent/Caretaker Relative – adults under 65 with one or more dependent children under 18 or age 18 and in high school; income eligibility standard does not consistently align with FPL	~38%
	Pregnant Women – pregnant women and their newborns up to age 1	190%
	Aid to the Blind and Disabled – individuals who are blind or have a disability and are eligible for Supplemental Security Income; income eligibility does not consistently align with FPL; most members of this caseload are also eligible for Medicare	~74% - 250%
	Old Age Assistance – individuals 65 or over and eligible for Supplemental Security Income; income eligibility does not consistently align with FPL; most members of this caseload are also eligible for Medicare	~74% - 250%
	Breast and Cervical Cancer Treatment – individuals under 65, diagnosed as needing treatment for breast or cervical cancer or specific precancerous conditions, and not eligible for other forms of coverage	250%
	Bridge Plan – adults with income between 138-200% FPL who qualified for OHP during the COVID-19 public health emergency but would have lost coverage upon redetermination; this plan is temporary until the Basic Health Plan is in place	138-200%
Oregon Health Plan (non-Medicaid)	**Children's Health Insurance Program** – children 0-18 ineligible for Medicaid with household income of up to 300% of FPL and who are not enrolled in other minimum essential coverage	300%
	Healthier Oregon – comprehensive OHP services for children and adults who do not meet Medicaid's federal citizenship requirements; HB 3352 (2021) established this eligibility group for adults and folded in the previously established Cover All Kids program	300% for children 138% for adults
Other Medicaid services (non-OHP)	**Medicare Savings Program** – Medicare cost-sharing for premiums and out-of-pocket expenses for individuals dually eligible for Medicare and Medicaid; cost-sharing assistance falls into one of three eligibility categories: Qualified Medicare Beneficiary (100% FPL); Specified Low-Income Medicare Beneficiary (120% FPL); and Qualifying Individual (135% FPL)	100% - 135%

Another change under the ACA is the method states use for determining income eligibility, which is largely measured against the federal poverty level. Prior to the ACA, income was determined based on a household's income earnings and assets. The ACA changed this by eliminating the asset test for most Medicaid caseloads and requiring income eligibility based on modified adjusted gross income (MAGI), which is a household's adjusted gross income with any tax-exempt interest income and certain deductions added back. Because MAGI is calculated using common taxable income data, CMS now requires states to conduct annual eligibility redeterminations for MAGI caseloads by first attempting to use available data sources, such as Internal Revenue Service tax records, without requiring enrollees to submit updated income information. If eligibility cannot be determined through these means, the state can then request the beneficiary to provide additional information. OHA implemented this process starting with renewals at the end of February 2018. The use of this approach enables more individuals to remain covered by Medicaid by reducing their risk of being determined ineligible due to failure to submit a renewal application on time.

Benefits: OHP covers hospital, physician, prescription drug, therapies (e.g., physical, occupational, and speech), durable medical equipment, dental, limited vision services, mental health services, drug and alcohol treatment, and certain health-related services, such as transportation to medical providers. Clients do not pay premiums or copayments. An important aspect of the benefit package is the prioritized list of services, which ranks health care conditions and treatment in order of clinical- and cost-effectiveness. The Health Evidence Review Commission, administered by OHA, determines the content and prioritizes the listed services. Theoretically, the amount of available funding determines the level of covered services. However, in practice, excluding treatments from the bottom of the list is difficult to do and requires approval by CMS.

Revenue Sources and Relationships – Medicaid

Federal Funds account for 71% of the HSD Medicaid budget, which is tied to the following FMAP rates:

- *Non-ACA FMAP* – For services provided to adults and children categorically eligible for Medicaid, states receive an FMAP adjusted each federal fiscal year based on a three-year average of the state's per capita personal income compared to the national average. No state can receive an FMAP less than 50% or more than 83% for these caseloads.
- *CHIP FMAP* – Similar to the non-ACA FMAP, CHIP uses an annually adjusted FMAP based on each state's per capita personal income. Unlike the non-ACA FMAP, however, CHIP uses an enhanced FMAP based on states contributing a 30% smaller share of spending than under Medicaid.
- *ACA FMAP* – As part of the expansion of Medicaid to adults earning less than 138% of the federal poverty level, the federal government reimbursed participating states for 100% of the costs for eligible individuals from calendar years 2014 through 2016. Starting in 2017, the ACA FMAP phased-down each year until reaching a floor of 90% in calendar year 2020. Under Oregon's recently approved five-year Medicaid waiver, CMS requires 2.6% of the state's ACA expenses be matched at the non-ACA (Title XIX) FMAP instead of the 90% ACA rate in order for the state to offer continuous eligibility for ACA adults. OHA has calculated an effective average FMAP of 89.54% for the 2023-25 biennium.

Based on the magnitude of expenditures, even small FMAP changes can result in significant cost shifts between state and federal dollars. The estimated average FMAPs used in the 2023-25 legislatively adopted budget declined compared to 2021-23. Taken together, this resulted in a cost shift of $889.6 million from Federal Funds to the General Fund.

Oregon's FMAPs (non-enhanced)	**2021-23 Average FMAP**	**2023-25 Average FMAP**	**Change**	**2023-25 GF Cost** (in millions)
Non-ACA Caseload	66.39%	59.74%	-6.65%	$788.1
CHIP caseload	76.47%	71.82%	-4.65%	$46.9
ACA caseload	90.00%	89.54%	-0.46%	$54.5
Total GF Cost - Legislatively Adopted Budget				**$889.6**

Other Funds account for 16% of the HSD Medicaid budget. Sources of this revenue include tobacco taxes, Tobacco Master Settlement Agreement funding, hospital and insurer assessments, the Oregon Health and Science University (OHSU) intergovernmental transfer (IGT) agreement, drug rebates, third-party recoveries, and other miscellaneous sources. Hospital and insurer assessments are the largest source of Other Funds revenue in HSD. The extent to which OHA leverages this revenue reduces the amount of General Fund needed to match federal Medicaid funding. No statutory changes were made to assessment rates or sunsets during the 2023 legislative session. The existing statutory hospital and insurer assessment programs sunset on September 30, 2025, and December 31, 2026, respectively. Beginning with the tax period ending September 30, 2020, rural type A and B hospitals and diagnostic-related group (DRG) hospitals have been taxed at 6%, which is the maximum allowed by CMS rules without additional authorization. OHA anticipates 6% tax rates throughout the 2023-25 biennium for rural A and B and DRG hospitals.

In 2017-19, OHSU was exempted from the hospital assessment program and the OHSU IGT was established as a separate funding model, which collapsed several Medicaid payments into the new program. The federal government allows IGT arrangements between states and another government entity, in this case OHSU through its capacity as a public academic health center. A key difference between the OHSU IGT agreement and hospital and insurer assessments is that state law requires OHA to reimburse OHSU for Medicaid services at no less than 87% of the hospital's costs, which HB 2010 (2019) increased from 84%. The 87% reimbursement will revert to the original 84% on July 1, 2025, based on current law. The OHSU IGT itself does not have a statutory sunset date and no structural changes to the model are included in the 2023-25 budget. However, similar to adjustments for hospital and insurer assessment revenue, the budget recognizes growing OHSU IGT revenue consistent with OHP caseload growth.

Starting in 2021-23, tobacco tax revenue contributes a more significant share of Other Funds revenue to fund OHP expenses due to the passage of Ballot Measure 108 (2020), which increased taxes on cigarettes and vaping products. Based on the May 2023 state revenue forecast, tobacco taxes are forecasted to generate $622.5 million in Other Funds revenue dedicated for OHP. Notwithstanding the impact of the recent tax increases, tobacco taxes remain a declining revenue source over the long term due to decreasing consumption and in-state cigarette purchases. General Fund will therefore continue to be needed to backfill forecasted declines in tobacco tax revenues.

<u>Budget Environment – Medicaid</u>
Health System Transformation – Three main levers have typically been used to control Medicaid costs: limiting eligibility, reducing benefits, and cutting provider reimbursement. Oregon's current approach has instead been to change the way health care is purchased and delivered. OHA has pursued its goal of limiting the cost of care through the coordination of benefits and services; the use of global budgets and performance metrics; local accountability for outcomes and costs; and flexibility for coordinated care organizations to tailor programs to the unique needs of their communities.

The integration of physical health and most behavioral health services was incorporated in the original CCO contracts in 2012. Mental-health-supported employment and assertive community treatment services were integrated in January 2013; alcohol and drug residential services as of July 2013; and non-emergency medical transportation as of October 2015. Dental services were integrated into CCOs by July 2014, although some CCOs continue to contract with dental care organizations (DCOs) or former DCOs to deliver dental services. OHA contracts with seven DCOs to provide dental coverage statewide for individuals who are not enrolled in a CCO. Mental health drugs, mental health residential treatment, and targeted case management remain carved-out of the CCO benefit package and paid on a fee-for-service basis.

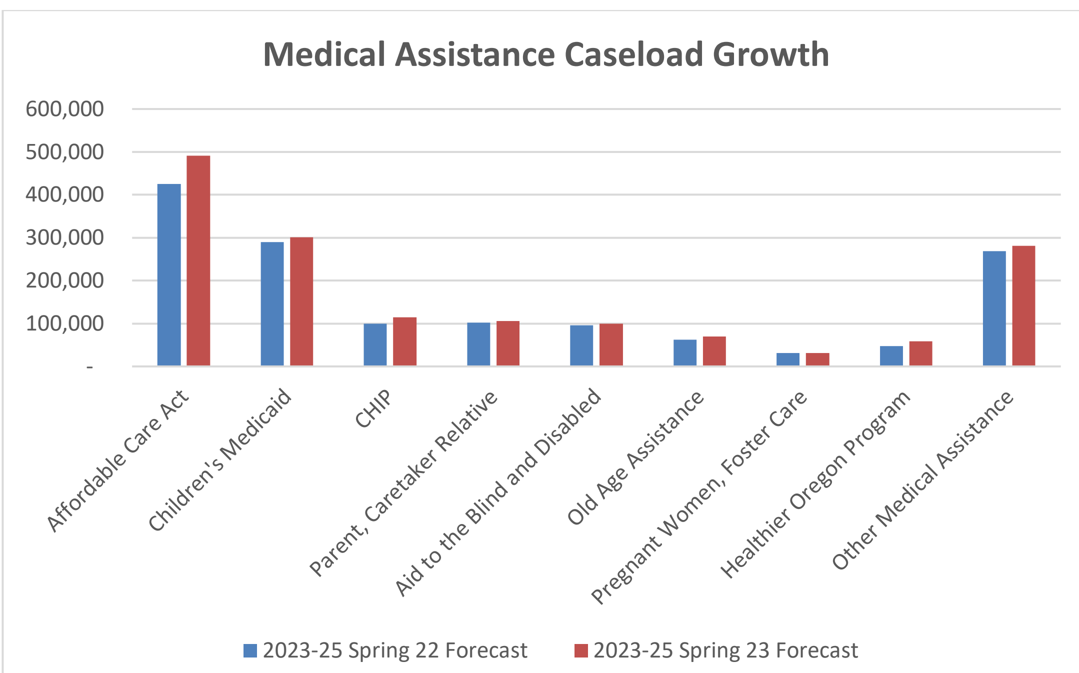
Another important part of Oregon's coordinated care model is ensuring CCOs improve the health of their members. SB 1580 (2012) created the nine-member Metrics and Scoring Committee responsible for developing annual CCO outcome and quality incentive measures, such as targets for diabetes management, tobacco usage, and childhood immunization status. OHA's budget supports an annual quality incentive pool based on a percentage, currently 4.25%, of aggregate CCO payments made to CCOs. By achieving some or all of the established measures, CCOs earn incentive payments. The maximum amount available to each CCO from the pool is based on each CCO's number of enrollees and the extent to which the measures are achieved.

The quality incentive pool is awarded in two phases. First, CCOs can earn up to 100% of their quality pool by meeting or exceeding the established targets. Funds remaining after this distribution are then available as part of a “challenge pool” and distributed according to CCOs’ performance on specific challenge pool measures. In addition to quality pool measures, Oregon’s Medicaid waiver requires OHA to report certain quality measures to CMS, many of which overlap with the measures established by the Metrics and Scoring Committee.

Cap on Budget Growth – Oregon manages health care expenditures by capping CCOs’ rate of growth to an average 3.4% per member per year. The state implemented this approach in 2012 in exchange for $1.9 billion in federal Designated State Health Programs (DSHP) funds through June 2017 for programs that had not previously received traditional Medicaid support. Despite the expiration of this funding, Oregon has continued to budget for Medicaid cost growth at no more than 3.4% per member per year and has since extended the 3.4% growth cap to plans offered by the Public Employee’s Benefit Board and Oregon Educators Benefit Board.

The 3.4% growth cap may eventually change during the biennial budget process. SB 889 (2019) and HB 2081 (2021) established the Sustainable Health Care Cost Growth Target Program to implement a health care cost growth target to contain costs across all payers and providers, including commercial insurers and hospitals. The bills established a committee to create the methodology for measuring the target statewide; identify opportunities for lowering costs and improving the quality of care and efficiency of the health care system; recommend the governance structure for the program; and recommend accountability measures. According to the committee’s recommendations, the annual per capita health care cost growth target should be 3.4% for 2021-2025 and then 3% for 2026-2030. If these recommendations are adopted, OHA will need to begin adopting additional cost containment strategies, which the committee’s recommendations also outline, ahead of 2026.

Caseload Forecast – The OHP budget is based on a biennial caseload forecast published by the Office of Forecasting, Research, and Analysis, which is a shared OHA/DHS service housed in the DHS budget. When caseload forecasts change for the existing biennium, or, in the case of the budget development process, the next biennium, OHA’s budget is adjusted to account for the related cost or savings. Unlike commercial insurers, OHP does not have reserves that can be used if caseloads or costs per case end up being higher than initially forecasted. However, OHA’s 2023-25 budget includes a $50 million General Fund appropriation to the Emergency Board to support potential caseload increases in OHA or DHS programs.



The predictability of Medicaid caseload levels in 2023-25 is substantially more uncertain than usual due to the temporary federal policies adopted in 2020 that remove states’ ability to disenroll members from Medicaid coverage during the federal COVID-19 public health emergency (PHE) even if they become ineligible. As a result, OHA's Medicaid caseload has grown by over 423,000 members from March 2020 to March 2023, which marked the end of the PHE. The spring 2023 caseload forecast used for the legislatively adopted budget assumed that eligibility redeterminations would begin in April 2023 and continue for 15 months. To mitigate the number of individuals expected to lose eligibility due to their income level, HB 4035 (2022) approved OHA to implement a Basic Health Plan, as authorized under the ACA, to cover members between 138-200% of the federal poverty level (FPL). Until that program launches in July 2024, OHA received approval from CMS to maintain existing Medicaid coverage for these individuals.

Healthier Oregon Program – HB 3352 (2021) extended OHP coverage to adult Oregon residents who would qualify for Medicaid except for their citizenship status under the Healthier Oregon Program (HOP). Children were already eligible for this coverage under the Cover All Kids program, which also became part of HOP. The measure appropriated $100 million General Fund and authorized OHA to limit enrollment only during the first year of coverage ending June 30, 2023 to remain within budget. After administrative costs and a portion transferred to the Department of Human Services (DHS) for enrollment and eligibility services, the remaining amount available for coverage was $83 million. OHA limited enrollment in the first year to those age 19-25 and those 55 and older. To support the entire eligible population in 2023-25, the legislatively adopted budget funds the program at $562 million General Fund after subsequent caseload and pricing updates. Emergent and prenatal coverage were already covered for this population under Medicaid's Citizenship Waived Medical (CWM) program. OHA is maintaining this program to leverage federal match for the emergent and prenatal coverage offered by HOP.

1115 Demonstration Waiver – On September 28, 2022, CMS provided its final decision on OHA's application to reauthorize Oregon's Section 1115 Medicaid demonstration waiver, titled after the relevant section of the Social Security Act, over the five-year period from 2022-2027. The renewed waiver included additional efforts to help people maintain Medicaid coverage despite temporary changes to their eligibility and to improve health outcomes by addressing social determinants of health. The waiver does not require Oregon to fund these elements but allows for federal match if Oregon chooses to invest in them.

In terms of eligibility changes, the waiver allows children to maintain continuous OHP enrollment from birth until their sixth birthday, as well as provides two-year continuous eligibility for people ages six and older even if their eligibility status changes. The waiver also allows Oregon to provide services to individuals and families in transition that address health-related social needs. Depending on the circumstances, these services could include housing, food assistance, and protection from climate events. Multiple groups may be eligible for this support, including youth with special health care needs up to age 26, youth who are child welfare involved, people who are experiencing homelessness or at risk of homelessness, older adults who qualify for both Medicaid and Medicare, people being released from custody in the public safety system, and those at risk of extreme weather events due to climate change. OHA's waiver application also requested authorization to provide targeted services to the justice-involved population; however, this part of the waiver renewal is still being negotiated with CMS.

Provider Assessments / OHSU Transfer Agreement – Oregon continues to face important policy decisions regarding how to finance the state-funded portion of Medicaid expenditures. Over the past three biennia, hospital and insurer assessments, and OHA's agreement with the Oregon Health and Science University, have been increasingly leveraged in place of General Fund to mitigate Medicaid cost growth and declines in federal matching revenue. Going forward, few options exist to increase revenue through provider assessments due to federal limitations on increasing hospital assessments beyond 6% of net patient revenue, which is the current rate for both the DRG and rural type A/B hospital assessments.

<u>Legislatively Adopted Budget - Medicaid</u>
The 2023-25 legislatively adopted budget for HSD Medicaid totals $26.3 billion, which includes $3.3 billion General Fund. The total funds budget represents a $2.6 billion, or 11.1%, increase from the 2021-23 legislatively adopted budget, and the General Fund budget represents a $1.6 billion, or 89.3%, increase. The growth in the Medicaid budget is largely driven by the following:

- *Inflation* – $1.5 billion total funds ($141.4 million General Fund) in standard and medical inflationary adjustments, as well as an additional $307.4 million General Fund (net zero total funds) as a result of Other Funds revenue sources being insufficient to fully fund inflation.
- *FMAP* – $889.6 million General Fund increase (net zero total funds) due to decreases in Oregon's FMAP rates.
- *Medicaid Waiver* – $881.6 million total funds ($120.2 million General Fund) for the 2022-27 Medicaid 1115 waiver that includes continuous eligibility for children under age six, a two-year redetermination schedule for those age six and above, and the inclusion of social determinates of health coverage.
- *Basic Health Plan* – $661 million total funds ($51.6 million General Fund) for the temporary extension of OHP coverage for those between 138-200% FPL, and the launch of the Basic Health Program in July 2024.
- *Behavioral Health Rates* – $491.3 million total funds ($146 million General Fund) for the full biennial cost of increasing coordinated care organization and fee-for-service behavioral health provider rates by an average of 30%, as initially funded in 2021-23 at the June 2022 meeting of the Emergency Board.
- *Healthier Oregon* – $462 million General Fund to fund the full implementation of Healthier Oregon, including all adult age groups.
- *Caseload* – $421.6 million total funds ($196.5 million General Fund) to fund the Medicaid caseload based on changes in the fall 2022 (CSL) and spring 2023 caseload forecasts.
- *Long Term Care Workforce* – $50 million total funds ($20 million General Fund) to increase the Long Term Care Essential Healthcare Workforce Trust that provides healthcare coverage subsidies for long term care facility employees.
- *Home and Community Based Services* – $19.2 million Federal Funds limitation to allow for continued expenditure of enhanced FMAP applied to qualifying Home and Community Based Services between April 1, 2021, and March 31, 2024, as authorized by the American Rescue Plan Act and initially supported in OHA's 2021-23 budget.
- *Dental Rates* – $4.2 million total funds ($1.5 million General Fund) to increase fee for service dental rates to encourage greater provider participation.

Although the budget does not include reductions to program services or eligibility, a series of adjustments recognize General Fund savings, most of which involve fund shifts to Other Funds and Federal Funds. These include the following:

- *Insurer Assessment Revenue* – $133.6 million General Fund decrease ($51.6 million total funds increase) resulting from increased insurer assessment collections from CCOs and commercial insurers.
- *OHSU IGT* – $98.3 million General Fund decrease ($487.1 million total funds increase) resulting from increased OHSU IGT revenue commensurate with caseload changes.
- *Hospital Assessment Revenue* – $70 million General Fund decrease from increased hospital assessment collections from DRG and rural hospitals.
- *Drug Rebates* – $52.3 million General Fund decrease (net zero total funds) from increased drug rebate collections.

Non-Medicaid Behavioral Health

<u>Program Description – Non-Medicaid Behavioral Health</u>

The Non-Medicaid Behavioral Health budget supports prevention and treatment services for Oregonians at risk of or who have been diagnosed with a behavioral health disorder. The programs supported by this budget focus on services for people who do not qualify for OHP, as well as services that are not eligible for Medicaid coverage (such as early outreach and engagement) and peer-based recovery. The budget is comprised of two main components: community mental health services (including suicide prevention, intervention, and post-suicide response) and addiction services (including substance use disorder and problem gambling prevention and treatment). Although these two components might be discussed separately, both intersect in terms of the treatment of persons with co-occurring mental health and substance use disorders and rely on partnerships with the same organizations and providers to develop and administer a community-based continuum of care.

HSD administers contracts and agreements with community mental health programs, non-profit providers, and tribes to develop and administer behavioral health services. Services are delivered in outpatient and residential facilities, schools, hospitals, and other community settings. The goal of these programs is to deliver evidence-based services in the least restrictive and most integrated setting and restore individuals to the highest level of functioning possible. They employ peer support specialists, qualified mental health professionals, psychologists, psychiatrists, psychiatric nurse practitioners, qualified health service providers, other independently licensed providers, certified alcohol, drug, and gambling addiction counselors, and personal care providers.

State law establishes the framework for non-Medicaid mental health services, which are largely administered by community mental health programs (CMHPs). Each of Oregon's 36 counties has either a county-run CMHP or contracts with a separate organization to serve as its CMHP. Subject to available funds, CMHPs offer an array of mental health and addiction services, such as outpatient and residential care, aftercare for persons released from hospitals, screening and evaluation, crisis stabilization, and medication monitoring. A key role of CMHPs is providing pre-commitment services that help prevent individuals from being admitted to the Oregon State Hospital. Like community mental health services, addiction treatment, recovery, and prevention services are offered throughout the state by CMHPs, tribes, CCOs, hospitals, and residential and non-residential treatment facilities. As a result of Ballot Measure 110 (2020), new Behavioral Health Resource Networks have also begun providing some of these services.

<u>Revenue Sources and Relationships – Non-Medicaid Behavioral Health</u>
General Fund comprises $525.5 million, or 40%, of the Non-Medicaid Behavioral Health budget. The largest share of this funding supports mental health services, primarily through the CMHP system. A smaller amount is budgeted for addiction services and is used as maintenance-of-effort for the state's Temporary Assistance for Needy Families block grant administered by the Department of Human Services.

Lottery Funds support non-Medicaid behavioral health services from two distinct distributions. First, state law allocates 1% of net lottery proceeds for the prevention and treatment of gambling addiction, most of which is budgeted in HSD Non-Medicaid. This distribution totals $18.3 million in 2023-25 based on the May 2023 state revenue forecast. The 2023-25 budget also includes $2.2 million in Lottery Funds for veterans' behavioral health services. This revenue is available from constitutionally dedicated net lottery proceeds for veterans' services, as approved through Ballot Measure 96 (2016).

Other Funds revenue supports $617.6 million, or 48%, of the Non-Medicaid Behavioral Health Budget. This revenue is from several statutory dedications, including marijuana, tobacco, and beer and wine taxes; intoxicated driver prevention funds; driving under the influence of intoxicant funds; and community housing trust funds. The Legislature has also continued to dedicate a portion of the state's Tobacco Master Settlement Agreement funds for this purpose ($14.2 million in 2023-25). The share of the Non-Medicaid budget supported by Other Funds revenue has grown significantly since 2019-21 due to the passage of Ballot Measure 110 (2020), which redirected marijuana tax revenue previously dedicated in statute for schools, public safety, and local government for addiction treatment and recovery services provided by new Behavioral Health Resource Networks. The broader impact of the ballot measure is discussed in more detail below.

Federal Funds revenue supports $138.5 million, or 11%, of the Non-Medicaid budget in 2023-25. Most of this revenue is available from the ongoing Mental Health Block Grant (MHBG), Substance Abuse Prevention and Treatment (SAPT) Block Grant, and State Opioid Response Grant programs. Federal policy requires 20% of the SAPT block grant be spent on prevention, which is carried out by the Public Health Division. One-time increases in the MHBG, SAPT, and other federal behavioral health grants during the COVID-19 pandemic were phased-out of OHA's 2023-25 current service level budget for a $53 million decrease in expenditure limitation.

Budget Environment – Non-Medicaid Behavioral Health

Policy and Budget Changes: From an operational perspective, OHA's non-Medicaid behavioral health workload has increased significantly in 2021-23 due to the adoption of several major policies and investments. A major change resulted from the adoption of Ballot Measure 110 (2020) and related enabling legislation (SB 755, 2021), which decriminalized the personal possession of controlled substances and established a treatment and recovery model through new Behavioral Health Resource Networks (BHRNs). To pay for the BHRNs and addiction and recovery services, the measure created the Drug Treatment and Recovery Services Fund and redirected most marijuana tax revenue previously dedicated for schools, public safety, local government, and county behavioral health services to the Fund. In terms of financial impact, OHA's 2023-25 legislatively adopted budget includes $267.5 million in Other Funds expenditure limitation for the Drug Treatment and Recovery Services Fund. This amount includes $17.5 million in one-time carryover revenue from 2021-23.

Behavioral Health Investments: OHA's budget for other existing and new non-Medicaid behavioral health programs also increased significantly in 2023-25. The agency's budget bill, SB 5525 (2023), includes an increase of $42 million General Fund ($139.6 million total funds) from a series of investments that support an array of services and address capacity constraints within the continuum of care. These investments are described in more detail within the legislatively adopted budget section below. Finally, HB 3396 (2023) contains $26.5 million General Fund to support multiple grant programs. This includes $15 million for clinical education at hospitals and health care facilities, $5 million for employers participating in a labor-management training trust to provide on-the-job training, apprenticeships, and other programs to develop health care professionals, $5 million for the Oregon Center for Nursing for public nursing education programs, and $1.5 million to support a task force and administer the grant programs.

Demand vs. Capacity: OHA is faced with evolving cost drivers in 2023-25. Two counteracting issues are the demand for behavioral health services and continued constraints on provider and bed capacity, including increased workforce shortages. Although significant investments were approved in 2019-21 and 2021-23 to address these issues, the implementation of funding may take longer than initially anticipated and depends on OHA's own capacity, which also faces hiring challenges.

Non-Medicaid Caseloads: Unlike Medicaid, which requires states to enroll all eligible applicants, most of the Non-Medicaid Behavioral Health budget functions similar to a grant program. This means the budget process does not generally result in funding adjustments commensurate with the number of individuals treated in the community, and is instead largely based on the level of state and federal resources available for these services. However, a subset of the non-Medicaid caseload results from court actions, which include individuals who are civilly committed, found guilty of a crime except for insanity (GEI), or determined to need restorative services to be able to aid and assist in their own defense ("Aid and Assist").

OHA's budget has traditionally been adjusted to account for forecasted changes in civil commitment and GEI caseload levels, excluding those admitted to the Oregon State Hospital. The Aid and Assist caseload had historically been funded apart from the caseload forecasting process because most of this population was treated in the Oregon State Hospital as opposed to in the community. While this is no longer the case, no pricing model has been adopted to pay for Aid and Assist services similar to the payment models for civil commitment and GEI caseloads. Instead, OHA has received General Fund over the past several biennia to provide grants to counties serving these individuals.

9-8-8 Crisis System: Initiated in the 2021 session through HB 2417, the behavioral health crisis system was expanded across multiple pieces of legislation in the 2023 session. The system includes the 9-8-8 suicide and crisis hotline and mobile crisis response units that can provide in-person assistance. The 2021-23 budget included $28.4 million General Fund, but both the hotline and mobile crisis response were limited. To fund full program implementation, HB 2757 (2023) established a $0.40/line tax on cell phone and voice over internet protocol. The new tax will generate approximately $33 million in revenue in 2023-25 based on the Legislative Revenue Office's estimate of the impact. In addition, $13.3 million in one-time General Fund was included in OHA's budget bill, SB 5525 (2023), to fund the program's expansion until the new tax revenue is realized.

Legislatively Adopted Budget - Non-Medicaid Behavioral Health
The 2023-25 legislatively adopted budget for HSD Non-Medicaid Behavioral Health totals $1.3 billion, which includes $525.5 million General Fund. The total funds budget represents a $121.9 million, or 8.6%, decrease from the 2021-23 legislatively approved budget, and the General Fund budget represents a $72.5 million, or 12.1%, decrease. This decline is largely driven by the phase-out of one-time investments approved in 2021-23 and does not represent cuts to programs or service levels. The following budget increases offset the phase-out of one-time investments:

- *Behavioral Health Investments* – $139.6 million total funds ($42 million General Fund) as part of a series of statewide behavioral health investments resulting from a bicameral legislative workgroup; these investments include:
    - $50 million Other Funds to expend lottery revenue bond proceeds for expanding community acute psychiatric facility bed capacity.
    - $40 million Other Funds to utilize opioid settlement funding for providing naloxone in the community.
    - $15 million General Fund to expand capacity in substance use disorder facilities.
    - $7 million General Fund for civil commitment services provided in the community.
    - $6 million General Fund for case management and transition services for individuals exiting the Oregon State Hospital.
    - $6 million General Fund and associated Other Funds expenditure limitation to expand and diversify the behavioral health workforce through the Health Care Provider Incentive Program.
    - $3.1 million General Fund for fellowship placements for prospective pediatricians and child psychologists.
    - $4.9 million General Fund ($6.5 million total funds) for community jail diversion services.
- *Drug Treatment and Recovery Services Fund* – $39.2 million increase for the Drug Treatment and Recovery Services Fund from the transfer of forecasted savings from reduced criminal sentencing, as required to occur under Ballot Measure 110 (2020); this increase offsets declining retail marijuana tax revenue dedicated to the Fund.
- *Crisis Services* – $33 million Other Funds from the new tax of $0.40/line on cell phone and voice over internet protocol service, as authorized in HB 2757 (2023), to fund the behavioral health crisis system; $13.3 million in one-time General Fund is also included for program implementation.

Program Support and Administration

The Program Support and Administration budget funds the administrative support, services, and oversight for the Health Systems Division's Medicaid and Non-Medicaid programs. The program includes Business Operations, Government and Process Improvement, Office of Actuarial and Financial Analytics, and Office of Program Integrity. The budget also includes staff supporting the Oregon Health Plan, including Medicaid Programs, Provider and Member Services, Eligibility Policy, Quality Assurance, and Hearings. For Non-Medicaid Behavioral Health, the budget includes staff for Addiction Treatment, Recovery and Prevention Services, Adult Mental Health and Housing Services, Behavioral Health Policy, Child and Family Behavioral Health Services, and Licensing and Certification. It also supports the division's information systems, including the Medicaid Management Information System and Community Outcome Management and Performance Accountability Support System.

Legislatively Adopted Budget - Program Support and Administration
The 2023-25 legislatively adopted budget for HSD Program Support and Administration totals $432.2 million, which includes $190.4 million General Fund and supports 699 positions (660.80 FTE). This represents a total funds increase of $113 million, or 35.4%, a General Fund increase of $51.8 million, or 37.4%, and an increase of 139 positions (165.62 FTE) from the 2021-23 legislatively approved budget. The major increases approved in the budget include the following:

- *Basic Health Plan* – $46.6 million total funds ($23 million General Fund) and 31 positions (25.25 FTE) for call center staff to assist in the transition of eligible individuals from Medicaid to the Basic Health Program and the administration of benefits (package 202).
- *Medicaid Waiver* – $25.7 million total funds ($12.7 million General Fund) and 102 positions (82.38 FTE) to implement the new policies and expanded benefits included in the renewal of Oregon's five-year Medicaid waiver (package 201).
- *Crisis System Support* – $24.3 million total funds ($19.5 million General Fund) to support the anticipated increase in call, text, and chat volume in Oregon's 9-8-8 crisis call line and to support related information technology changes and operational costs (package 404).
- *EPSDT* – $2.2 million total funds ($848,206 General Fund) and seven positions (5.25 FTE) for early and periodic screening, diagnosis, and treatment (EPSDT) services, which are a standard set of federal Medicaid services that OHA has historically waived out of funding but will now provide (package 414).
- *Intensive Services Unit* – $1 million General Fund and four positions (4.00 FTE) to enhance the Intensive Services Unit to coordinate care for clients under Aid and Assist orders in response to the federal court ruling establishing length of stay limits at the Oregon State Hospital.

In addition to these program enhancements, the budget also includes reductions resulting from three actions approved by the Legislature for the program to reduce spending. These include increasing the program's vacancy rate to 8%, which results in savings of $5.3 million total funds ($2.9 million General Fund); reducing services and supplies expenditures by $10.2 million General Fund; and eliminating two vacant positions (2.00 FTE) for savings of $251,027 General Fund.

Health Policy and Analytics

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	41,111,181	62,802,861	62,430,348	124,577,234
Lottery Funds	24,282	25,983	27,074	27,074
Other Funds	25,836,748	49,206,054	89,305,177	110,394,770
Federal Funds	47,887,880	41,483,399	37,873,539	47,146,539
Total Funds	**114,860,091**	**153,518,297**	**189,636,138**	**282,145,617**
Positions	161	218	248	335
FTE	149.26	202.40	235.65	310.16

Program Description
The Health Policy and Analytics (HPA) Division provides policy support, technical assistance, and access to health information statistics and tools for OHA programs, outside organizations, and providers participating in Oregon's health system. HPA includes the following offices:

- *Office of Health Policy* – supports the Oregon Health Policy Board, Medicaid Advisory Council, OHA programs, and other health care stakeholders. The office conducts policy analysis and development and provides technical assistance on primary care workforce development, resource leveraging, health system transformation grant development, and other topics.

- *Office of Health Analytics* – collects and analyzes utilization, quality, and financial data to evaluate OHA program performance; provides data for health system planning; analyzes trends across all payers and claims data; and performs actuarial analysis to support rate development and benefit design.
- *Office of Delivery Systems Innovation* – integrates clinical resources and policies to support implementation of the coordinated care model throughout OHA and all provider and payer organizations in the state.
- *Office of Health Information Technology* – coordinates policy development to achieve state and federal health reforms through the integration of health information technologies; leverages federal and other health IT funding opportunities; and collaborates across programs for planning and shared decision making, IT purchases, and service delivery.
- *Office of Business Operations* – partners with Shared Services offices and acts as a liaison to internal and external stakeholders related to operational functions.
- *Oregon Health Insurance Marketplace* – oversees and provides enrollment assistance for the health insurance products sold in Oregon through HealthCare.gov.
- *Public Employees' Benefits Board (PEBB) / Oregon Educators Benefit Board (OEBB)* – administers health care insurance and other employment benefits, such as short-term and long-term disability, for employees in state government, universities, and the K-12 system. These programs are operationally situated in HPA, but their program budget structures are distinct from HPA and discussed separately.

<u>Revenue Sources and Relationships</u>
HPA is mostly supported by General Fund matched with federal Medicaid administrative dollars. The federal match rates vary depending on the type of work being performed. For example, Medicaid administrative expenses are matched at 50% while expenses related to technology, such as the Medicaid Management Information System, are typically matched at 75% or 90% depending on whether the expenditures support planning, implementation, or operations. HPA also receives federal grants through the Health Resources and Services Administration related to primary care and oral health workforce. HPA receives Other Funds revenue related to the All Payer All Claims system, Oregon Prescription Drug Program, Oregon Health Insurance Exchange, Health Care Incentive Fund, health care workforce data, ambulatory surgical data, inpatient data, and the Physician (or "J-1") Visa Waiver Program.

<u>Budget Environment</u>
Most of HPA's programs were transferred from OHA's Central Services budget in 2013-15. Since then, the program's demands have continually increased related to health care transformation work. Examples include advancing the coordinated care model within the CCO system and expanding it to PEBB and OEBB; providing data analytics to reduce the long-term cost of health care and address unique challenges, such as opioid dependency; developing policies for CCO contracts; working on the state's Section 1115 Medicaid waiver renewal; and implementing a statewide annual health care cost growth benchmark pursuant to SB 889 (2019) and HB 2081 (2021). HPA's scope grew in 2021-23 through the transfer of the Health Care Marketplace from the Department of Consumer and Business Services. The goal of this transfer was to strengthen state government's health care purchasing power. Finally, the staffing associated with both PEBB and OEBB was moved from their respective budgets to HPA where the central oversight occurs. This resulted in the transfer of 40 positions (39.50 FTE) and related Other Funds expenditure limitation as a technical adjustment in the 2023-25 budget.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget for HPA totals $282.1 million, which includes $124.6 million General Fund and 335 positions (310.16 FTE). This represents a total funds increase of $128.6 million, or 83.8%, and a General Fund increase of $61.8 million, or 98.4%, from the 2021-23 legislatively approved budget. The 2023-25

budget includes an increase of 117 positions (107.76 FTE), including the transfer of 40 positions (39.50 FTE) from the PEBB and OEBB budget structures. The following increases contribute to HPA's budget growth:

- *Basic Health Plan* – $30 million General Fund and 16 positions (15.29 FTE) to plan for and administer the temporary expansion of OHP benefits to those between 138-200% of FPL and implementation of the new Basic Health Plan (package 202).
- *Health Care Workforce* – $26.5 million General Fund for clinical education, nursing program, and employer reimbursements resulting from HB 3396 (2023).
- *Medicaid Waiver* – $15.6 million total funds ($5.6 million General Fund) and 29 positions (22.30 FTE) for implementation of the 2022-27 Medicaid waiver (package 202).
- *Fee Changes* – $9.3 million Other funds and two positions (1.50 FTE) to support increased fees for the Newborn Bloodspot Screening and Environmental Lab Accreditation programs (packages 437 and 440); this funding belongs in the Public Health budget and will be transferred at a future budget rebalance.
- *Psilocybin Program* – $7.3 million total funds ($3.1 million General Fund) and 22 positions (22.00 FTE) for continued implementation of the Psilocybin program (package 449); the General Fund is one-time support for the first year of the biennium due to fee revenue remaining insufficient to cover program expenses; this funding belongs in the Public Health budget and will be transferred at a future budget rebalance.
- *Health Benefits System* – $6.6 million Other Funds and three positions (2.25 FTE) to complete the PEBB/OEBB benefits management system replacement project (package 435).
- *Marketplace Platform* – $1.3 million Other Funds and one position (0.75 FTE) for HPA's component of the state's transition from the federal Marketplace software to an Oregon-based model (package 416).
- *CCO Quality Measures* – $1.3 million total funds ($522,854 General Fund) and five positions (2.51 FTE), of which one position is limited duration, to support a study of the CCO Quality Incentive Program and address ongoing data and metric complication needs pursuant to SB 966 (2023).
- *Health Care Market Oversight* – $1.2 million Other Funds and four positions (4.00 FTE) to bolster support for the Health Care Market Oversight program, utilizing existing revenues from the program (package 430).
- *ACA Employer Reporting* – $665,000 Other Funds to outsource implementation of Affordable Care Act employer reporting requirements to a vendor with better systems support and more experience (package 438).
- *EPSDT* – $412,884 total funds ($205,442 General Fund) and two positions (1.50 FTE) for early and periodic screening, diagnosis, and treatment (EPSDT) that had previously been excluded from OHP coverage as part of the state's Medicaid waiver (package 414).
- *Universal Health Board* – $412,870 General Fund and two positions (1.50 FTE) to support the new Universal Health Plan Governance Board established in SB 1089 (2023).

The HPA budget also contains the following reductions:

- *Vacancy Rate* – $3.1 million total funds ($1.2 million General Fund) for increasing vacancy targets to 8%.
- *Services and Supplies* – $2.7 million General Fund for services and supplies reductions.
- *Vacant Positions* – $956,370 total funds ($567,545 General Fund) and four positions (4.00 FTE) from eliminating positions vacant longer than 12 months.

Public Employees’ Benefit Board

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	2,160,263,393	2,326,601,853	2,487,050,278	2,488,161,194
Total Funds	**2,160,263,393**	**2,326,601,853**	**2,487,050,278**	**2,488,161,194**
Positions	20	20	--	--
FTE	19.50	19.50	--	--

Program Description

The Public Employees’ Benefit Board (PEBB) designs, contracts for, and administers health plans, group insurance policies, and flexible spending accounts for over 140,000 state, university, local government, and special district employees and their dependents. Members include active employees, retirees, spouse and domestic partner dependents, child dependents up to age 26, and adult children with disabilities over age 26. PEBB also selects and administers life and disability insurance coverage for eligible employees. The Board consists of eight voting members, which include six appointed by the Governor and two serving as ex officio members (the OHA director and HPA director or their designees). The Board also includes two non-voting members from the Legislative Assembly. Program operations are administered by 20 state employees (19.50 FTE), with actuarial and third-party administrator services provided under contract. Subsequent to adjustments in OHA’s 2023-25 budget, PEBB’s operational expenses, including positions, are now budgeted within the Health Policy and Analytics Division budget structure.

Revenue Sources and Relationships

PEBB is budgeted entirely with Other Funds expenditure limitation with revenue received from premium payments associated with insured individuals. The resources to pay for state employee health insurance are budgeted in state agency budgets according to how each agency pays for employee salaries and benefits, be it from the General Fund, Lottery Funds, Other Funds, or Federal Funds. Once the resources are transferred to PEBB, they are accounted for as Other Funds. Approximately 45% of PEBB benefit costs are paid with General Fund.

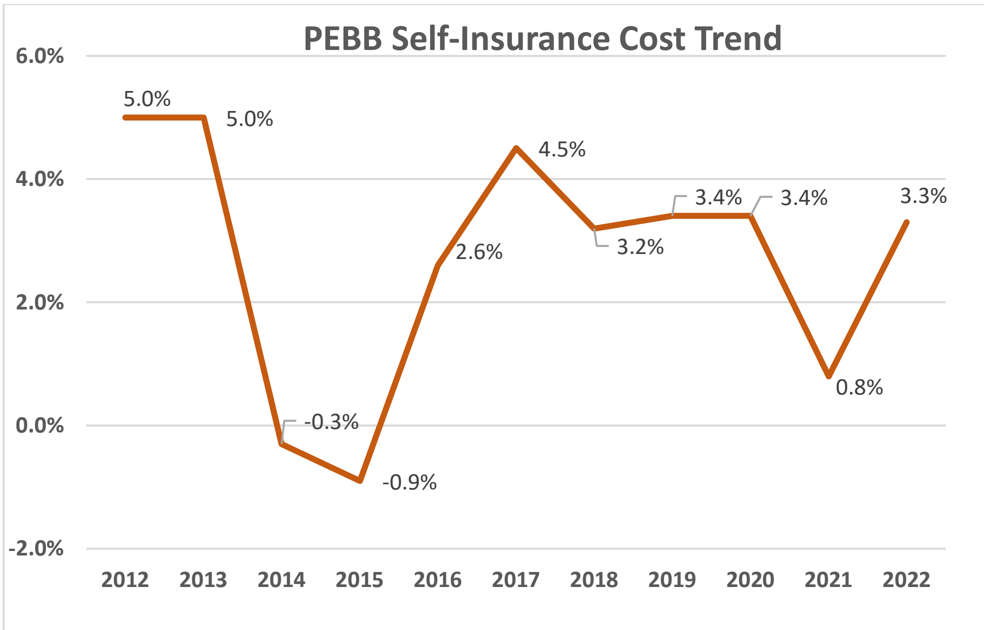
PEBB’s operational costs are funded through an administrative assessment added to medical, vision, and dental insurance premiums and premium equivalents. By statute, the assessment cannot exceed 2% of monthly contributions from employees and employers. The assessment for the 2024 plan year is set at 1.3% and overall administrative expenditures are estimated at $22.7 million for the 2023-25 biennium. The administrative assessment and budget have increased from prior years to account for rising consulting expenses and to support the second phase of the PEBB/OEBB benefit management system replacement project.

In 2006, PEBB began transitioning employee coverage from traditional fully insured plans (which means an insurance carrier takes on the risk of paying for its members’ medical claims) to self-insurance (which means PEBB takes on the risk of paying claims). Self-insured plans give the Board more flexibility in plan design and cost containment. With Moda’s transition to self-insurance in the 2019 plan year, Kaiser currently offers the last fully insured medical plan.

Budget Environment

PEBB maintains a Stabilization Account to control costs, subsidize premiums, and self-insure. The primary source of the account’s revenue is unused premium contributions for employee benefits. This account also holds proceeds generated when PEBB’s life insurance carrier changed from a mutual organization to a public corporation. PEBB also operates two flexible spending account programs and two commuter programs for employees and maintains an account for their administrative costs. The main revenue source for these accounts is forfeitures from participants.

The budget pressures for PEBB's employer-sponsored health care are unique compared to Medicaid coverage, with cost trends in Oregon's commercial insurance market typically being higher at 6% to 7% per year. Despite the higher cost trend, the state began holding PEBB's annual per member cost growth to 3.4% in 2015-17, consistent with the state's cost containment strategy for Medicaid. During the 2017 legislative session, the Legislature adopted SB 1067, which codified the requirement for both PEBB and OEBB to adopt policies to limit annual per member per month cost increases to the 3.4% threshold. Since 2014, PEBB has held annual cost increases to 3.4% or below except in 2017.



A key part of PEBB's current strategy to improve health outcomes while containing costs is applying the coordinated care model (CCM) to a limited number of quality medical plans (currently five) with modest deductibles and cost-sharing. The CCM model focuses on primary care and prevention and has defined quality and access standards. The goal of CCM plans is to reduce the utilization of unnecessary services, improve coordination of disease management among varying providers, and use innovative reimbursement models. PEBB's CCM focus is also aligned with key financial requirements of coordinated care organizations. For example, PEBB is increasing the level of reimbursements based on value-based payments according to the same schedule planned for OHP reimbursement to CCOs. In spring 2023, the Oregon Value-Based Compact Workgroup revised the targets in recognition of the health system challenges that occurred due to the COVID-19 pandemic. The revised targets are for payers to achieve 70% of payments in value-based approaches that share savings, and 60% of payments for primary care and hospitals to share risk by 2025.

In 2023-25, PEBB will continue including quality measures and performance targets in health plan contracts to support better care and lower costs. The quality measures will be based on the Statewide Aligned Quality Measures developed by the Health Plan Quality Metrics Committee for CCOs, PEBB, OEBB, and the Oregon Health Insurance Marketplace. PEBB and OEBB contracts will include performance improvement targets on each measure and require health plans to put at risk a portion of the administrative fees or premiums paid to them, with retention of at-risk dollars contingent on the plan achieving its targets. Performance improvement targets for each measure will consider the health plans' current performance in comparison to national benchmarks, gold standard performance rates, and organizational priorities to achieve identified rates of improvement in specific areas of health care quality.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for PEBB is $2.5 billion Other Funds. The rate of cost growth continues to be capped at 3.4% per member per year. Aside from this and other current service level changes, the budget includes an increase of $1.1 million Other Funds to support PEBB's share of the final stage of the PEBB/OEBB benefit management system replacement project (package 429). This project began in 2019-21 with the goal of replacing the independent legacy systems used by both programs with a single solution that enhances security and user experience. In addition, SB 1049 (2023), which is the bill that addresses the program changes necessary to implement the 2023-25 budget, includes a revenue-only transfer of $90 million in excess reserves from the PEBB stabilization account. This includes $40 million transferred to the General Fund for general governmental purposes and $50 million to the Insurance (Risk) Fund administered by the Department of Administrative Services.

Oregon Educators Benefit Board

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	1,728,878,933	1,887,463,981	1,993,653,357	1,944,987,546
Total Funds	**1,728,878,933**	**1,887,463,981**	**1,993,653,357**	**1,994,987,546**
Positions	20	20	--	--
FTE	20.00	20.00	--	--

Program Description

The Oregon Educators Benefit Board (OEBB) administers medical, dental, vision, and other benefits for Oregon's school districts, education service districts, and community colleges, as well as some cities, counties, and special districts. More than 155,000 employees, early retirees, and their eligible dependents are enrolled in benefit plans. Unlike PEBB, all OEBB plans are fully insured, and participating insurers carry the risk for cost overruns. OEBB has prioritized choice in plan options for employers and employees, resulting in a variety of plans. Employers can choose to offer all available plans or a subset of plans to their employees.

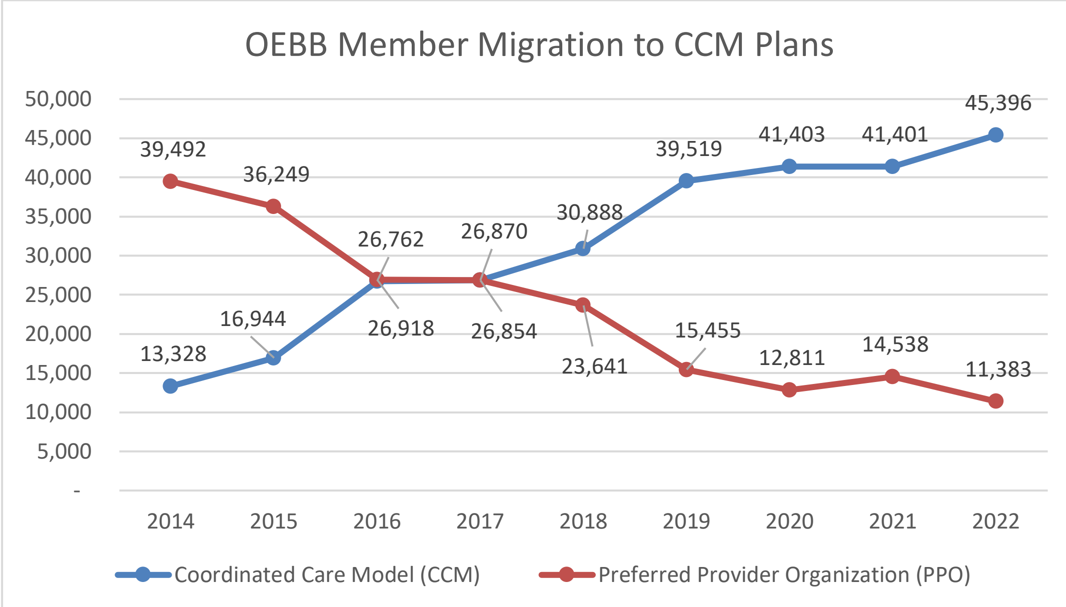
OEBB is comprised of at least 10 members appointed by the Governor and confirmed by the Senate. Of the 10 members, the following representation must be covered: two members representing school boards; two members representing education management; two members representing education non-management; one member representing local government management; one member representing local government non-management; and two members who have expertise in health policy or risk management.

Revenue Sources and Relationships

OEBB is funded with Other Funds revenue received from premium payments for all insured individuals. Operational costs are funded through an administrative assessment applied on the health, dental, and vision insurance premiums. The current assessment is 1.3%; by law, the assessment cannot exceed 2% of monthly premiums.

Budget Environment

OEBB has mostly succeeded at keeping average cost growth below 3.4% since the 2011-12 plan year. Meeting the growth cap has been challenging due to the higher cost trends OEBB faces in the commercial insurance market. To keep costs down, OEBB has often relied on its breadth of available plans and member selection of lower cost options. However, containing costs over the long-term is challenging unless the underlying costs of care are addressed, and health outcomes improved. Like PEBB, OEBB has taken steps toward this goal by migrating members from preferred provider organization (PPO) plans into coordinated care model (CCM) plans. Approximately 80% of OEBB's members were enrolled in a CCM plan as of 2022, which is up from 25% in 2014.



OEBB's five-year strategy focuses on strengthening CCM participation and the model itself by ensuring plan designs have the right incentives in place for members to choose patient centered primary care homes. OEBB is also committed to increasing the level of value-based payments according to the same schedule as PEBB and OHP.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for OEBB is $2 billion Other Funds. The budget caps OEBB's annual expenditure growth at 3.4% per employee. Similar to PEBB, OEBB's budget includes an increase of $816,439 to pay for OEBB's share of the PEBB/OEBB benefit management system replacement project. The budget also includes an increase of $517,750 to support the fiscal impact of HB 2994 (2023), which requires health benefit plans to pay for the cost of bilateral cochlear implants. The fiscal impact of this measure on PEBB and OHP is anticipated to be minimal; therefore, no adjustments were made to these programs.

Public Health Division

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	92,382,780	218,566,978	174,916,295	237,469,162
Other Funds	356,233,857	1,385,886,946	307,161,504	315,991,925
Other Funds (NL)	31,032,499	40,000,000	40,000,000	40,000,000
Federal Funds	369,303,805	805,227,833	652,740,626	709,423,900
Federal Funds (NL)	57,720,118	102,729,051	102,729,051	102,729,051
Total Funds	**906,673,059**	**2,552,410,808**	**1,277,547,476**	**1,405,614,038**
Positions	779	895	879	929
FTE	759.21	873.43	872.34	902.57

Program Description

The Public Health Division's (PHD) mission is to promote health and prevent the leading causes of death, disease, and injury in Oregon. The division manages more than 100 prevention-related programs that halt the spread of disease, protect against environmental hazards, and promote healthy behaviors. PHD's programs can complement and amplify investments in other health care programs, and, by focusing on prevention, have the potential to reduce the need for costly health care services.

Oregon's public health system includes federal, state, county, and local agencies, tribal communities, community-based organizations, and other diverse partners working together to protect and promote the health of Oregonians. Public health services in Oregon are delivered directly by PHD or through contracts with local and tribal public health authorities, nonprofit organizations, and clinics.

The Public Health Division has four general program areas:

- *Office of the State Public Health Director* – responsible for guiding the strategy, operations, scientific activities, communications, and policies of public health programs. The office also oversees county health plans and the division's fiscal and policy responsibilities.
- *Center for Prevention and Health Promotion* – helps communities and residents achieve lifelong health, wellness, and safety through the prevention of chronic diseases, child developmental delays, injuries and unsafe relationships, and physical and behavioral problems. The center has the following five sections: Adolescent, Genetics and Reproductive Health; Health Promotion and Chronic Disease Prevention; Injury and Violence Prevention; Maternal and Child Health; and Nutrition and Health Screening.
- *Center for Health Protection* – protects the health of individuals and communities by ensuring compliance with regulatory and health-based standards. The center's seven sections include: Radiation Protection Services; Drinking Water Services; Environmental Public Health; Oregon Medical Marijuana Program; Oregon Psilocybin Services; Health Care Regulatory and Quality Improvement; and the Health Licensing Office.
- *Center for Public Health Practice* – protects the health of individuals and communities through infectious disease control and prevention; integrated care and treatment for persons living with HIV; vital records; population health monitoring; and emergency public health services. The center has the following six sections: Center for Health Statistics (vital records); Acute and Communicable Disease Prevention; State Public Health Laboratory; HIV, Sexually Transmitted Diseases and Tuberculosis Prevention; Immunizations; and Health Security, Preparedness and Response.

Oregon's public health system relies on the role of local public health authorities administered by counties. Thirty-three local public health authorities currently exist in Oregon, one of which is a public health district covering two counties (Wasco and Sherman). Gilliam County had been part of this district but withdrew and became its own local public health authority in 2021. Also, two counties returned their local public health authority status to OHA – Wallowa County as of May 1, 2018, and Curry County as of May 2, 2021. Subsequent to recommendations from the Task Force on the Future of Public Health Services and the passage of HB 3100 (2015), local public health authorities must, at a minimum, meet the following seven foundational capabilities: assessment and epidemiology; emergency preparedness and response; communications; policy and planning; leadership and organizational competencies; health equity and cultural responsiveness; and community partnership development. The authorities must also establish foundational programs in communicable disease control, environmental public health, prevention of injury and diseases, and promotion of health.

Revenue Sources and Relationships

Over half of the Public Health Division's budget is funded with Federal Funds, including Medicaid match for contraceptive care and voluntary universal nurse home visiting, and over 90 grants categorically dedicated for specific purposes, such as emergency and hospital preparedness, cancer prevention and control, and safe drinking water. Given the categorical designation of the division's myriad federal grants, PHD is limited in terms of how a significant portion of its budget can be used. The division must routinely monitor and manage how these funds are spent, ensure positions supported with one or multiple federal grants are appropriately financed according to the work they perform, and plan for any changes in federal revenue and the expiration of one-time grants. The Federal Funds budget also includes funding designated as nonlimited, which allows the agency to increase this portion of the budget administratively if the revenue is available. The nonlimited federal revenue is currently budgeted at $102.7 million and represents federal payments to support WIC program costs.

Approximately 22% of the budget is from various sources of Other Funds revenue. Important examples include the various professional licensing fees PHD collects for regulatory activities, such as cosmetology, environmental health, genetic counseling, respiratory therapist, and behavior analysis licensing fees, among others. Additional examples of the division's Other Funds revenue include a portion of tobacco taxes dedicated to tobacco cessation and prevention activities, hospital and inpatient care licensing fees, vital record fees, and fees for the inspection of public places (e.g., food, pool, and lodging). PHD must carefully manage expenditures to the established fee levels from year to year because they do not grow with the cost of inflation unless the Legislature approves a fee increase. During the 2023 session, new fees were approved for the Newborn Bloodspot Screening Program, Oregon Environmental Lab Accreditation Program, and Oregon Psilocybin Services. The division's budget also includes Nonlimited Other Funds revenue supporting the WIC program. The Nonlimited Other Funds totals $40 million and represents rebates from manufacturers of infant formula.

The division's General Fund appropriation has significantly grown over the past three biennia. The 2023-25 legislatively adopted budget includes $237.5 million General Fund, which represents 17% of its total funds budget and is nearly triple the amount appropriated in 2015-17. Most of this growth is from investments in Public Health Modernization. Other contributing factors include appropriations to backfill declining medical marijuana revenue that had been budgeted in non-medical marijuana programs; expand reproductive health services authorized in HB 3391 (2017); support a new Healthy Homes Repair Fund established in HB 2842 (2021); and fund a new universally offered home visiting program established in SB 526 (2019).

Budget Environment

The Public Health Division led OHA's response to the COVID-19 pandemic. Among other activities, the division has worked on messaging and outreach, setting public health guidelines, coordinating the response of local public health authorities and other community partners, testing and contact tracing, vaccination campaigns, and modelling trends and projections. The cost of these activities was primarily covered by the federal government, largely through FEMA reimbursement and increases to existing federal grant programs provided by the federal Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136), Consolidated Appropriations Act (Public Law 116-260), and American Rescue Plan Act (Public Law 117-2). For the 2023-25 biennium, the agency's current service level budget phased out nearly $1 billion in expenditure limitation related to FEMA reimbursement and federal grant awards.

Notwithstanding the important impact federal resources will continue having on PHD's budget environment, the division's state resources also play a meaningful role. HB 2348 (2013) created the Task Force on the Future of Public Health Services to study the regionalization and consolidation of public health services, assess the future of Oregon's public health system, and make recommendations for legislation. The 2015 Legislature subsequently required OHA to adopt and update a statewide public health modernization assessment, including developing a plan for the distribution of funds to local public health authorities. The assessment, which was completed in 2016, addressed two issues: (1) the level at which the existing system meets the requirements of a modern public health system; and (2) the resources needed to fully implement public health modernization.

To address the gaps in the public health assessment and build a sustainable infrastructure to support public health modernization over the long-term, the assessment recommended an initial investment of $30 million in the 2017-19 biennium, with an eventual increase of $210 million to fully implement public health modernization recommendations. Achieving an investment of this recommended level is difficult in the near-term due to competing statewide spending priorities. After General Fund investments approved by the Legislature in 2017-19 ($5 million), 2019-21 ($10 million), 2021-23 ($45 million), and 2023-25 ($50 million), the public health modernization budget stands at $112.7 million when accounting for inflationary increases. Among other activities, this funding supports communicable disease control and emergency preparedness activities carried out primarily through the same key partners contributing to the pandemic response: local public health authorities, community-based organizations, and tribes.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Public Health Division totals $1.4 billion, which includes $237.5 million General Fund and 929 positions (902.57 FTE). This represents a 45% total funds decrease and an 8.6% General Fund increase compared to the 2021-23 legislatively approved budget. The total funds decrease results from the phase-out of federal grants and FEMA reimbursement available in 2021-23 to help the state respond to the COVID-19 pandemic. PHD's 2023-25 Federal Funds expenditure limitation will eventually need to be further rebalanced upon determining unspent amounts from these awards, as well as for new supplemental federal awards. The growth in General Fund is driven by a $50 million increase and 30 positions (20.69 FTE) for public health modernization (package 406).

Other major increases to the Public Health Division's budget include:

- *Home Visiting* – $5.9 million total funds ($5.9 million General Fund) and five positions (3.75 FTE) to expand universally offered home visiting that provides nursing support for pre- and post-natal care (package 425).
- *Vaping Cessation* – $4.4 million Other Funds expenditure limitation included in SB 5506 (2023) to utilize proceeds from the JUUL settlement for inhalant cessation assistance.
- *Drinking Water Safety* – $3 million General Fund to support domestic well safety that includes vouchers for lab testing and point-of-use filtration to address nitrate contamination in Morrow and Umatilla counties (package 432).
- *Temporary Staffing Agencies* – $2 million General Fund and six positions (5.28 FTE) for the Health Licensing Office to oversee temporary staffing agencies and establish maximum rates these agencies can charge, as required by HB 2665 (2023).
- *Hospital Staffing Plans* – $1.6 million General fund and 10 positions (4.90 FTE) to support oversight and compliance activities related to new requirements established in HB 2697 (2023) for hospitals to establish hospital-wide staffing plans.
- *PDMP* – $1.5 million General Fund included in SB 5506 (2023) to support the integration of the Prescription Drug Monitoring Program (PDMP) with provider electronic health record systems.
- *Fish Contamination* – $1 million General Fund and one position (0.67 FTE) to investigate contaminated fish consumption on the Columbia River (package 801).
- *Student Health* – $970,339 General Fund and three positions (1.88 FTE) pursuant to requirements in HB 2656 (2023) for OHA to administer a survey, in collaboration with the Department of Education, to improve the health and well-being of students.
- *Climate* – $387,671 General Fund, one permanent position (0.75), and one limited duration position (0.75 FTE) to help implement a series of statewide climate investments established in HB 3409 (2023), which requires OHA to increase its monitoring of harmful algal blooms and consult with the Department of Human Services regarding its support for resilience hubs and networks.
- *HIV therapies* – $259,052 General Fund for OHA to provide Type A and B hospitals with a 30-day supply of human immunodeficiency virus (HIV) post-exposure prophylactic drugs or therapies, as required by HB 2574 (2023).
- *Environmental Justice Mapping* – $191,854 General Fund and one position (0.75 FTE) for a position to support environmental justice mapping that had previously been federally funded (package 417).
- *Disaster Response* – $186,908 Other Funds and one position (0.75 FTE) to support regional hospitals for disaster response (package 422).

In addition to these increases, the following reductions were approved for the PHD budget:

- *Vacancy Savings Rate* – $7.5 million total funds ($1.3 million General Fund) to reflect higher position turnover trends.
- *Long-Term Vacancies* – $1.8 million total funds ($1.7 million General Fund) to reflect the elimination of eight positions (7.54 FTE) that had remained vacant for more than 12 months.

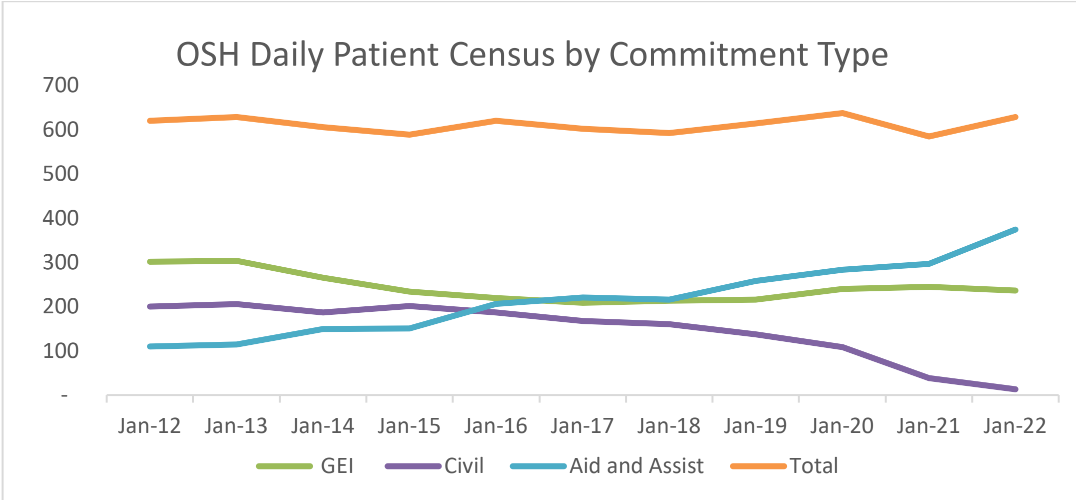
Oregon State Hospital

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	572,024,601	405,259,260	724,798,295	749,148,990
Other Funds	34,821,744	335,155,158	40,128,079	16,490,295
Federal Funds	26,845,663	30,728,961	31,303,706	30,037,683
Total Funds	**633,692,008**	**771,143,379**	**796,230,080**	**794,040,086**
Positions	2,321	2,754	2,658	2,772
FTE	2,319.17	2,642.63	2,657.82	2,768.75

Program Description
The Oregon State Hospital (OSH) is an integral part of the statewide behavioral health system, providing the highest level of psychiatric care for adults from all 36 counties admitted to OSH under court orders. OSH is budgeted to serve up to 758 individuals, with 592 beds in Salem, 150 beds in Junction City, and 16 beds at a secure residential treatment facility operated by OSH in Pendleton. The hospital's services include 24-hour nursing, psychiatric care, treatment planning, pharmacy, laboratory, food and nutritional services, and vocational and educational services. By leveraging these resources, OSH's main role is to treat individuals and prepare them to safely return to their communities.

Patients receiving treatment at OSH generally fall into one of the following commitment types:

- *Civil Commitment* – people who have been found by a court to be an imminent danger to themselves or others, or who are unable to provide for their own basic health and safety needs, due to their mental illness. A subset of this population includes people who have significant co-occurring medical issues, such as dementia, Alzheimer's, or traumatic brain injury.
- *Guilty Except for Insanity (GEI)* – people who have committed a crime and are found by a court to be guilty except for insanity because of having a qualifying mental health disorder at the time of engaging in the criminal conduct. The Psychiatric Security Review Board (PSRB) has statutory jurisdiction over GEI clients receiving treatment in OSH or who have been granted conditional release in the community.
- *Aid and Assist* – people who have been arrested but determined to be unable to participate in their legal proceedings due to a mental illness and ordered to receive restorative mental health services for them to understand the criminal charges against them and "aid and assist" in their own defense.



Management of the overall behavioral health system has a large impact on the success of OSH. The hospital's key partners include the OHA Health Systems Division, PSRB, regional hospitals, community mental health programs, advocacy groups, and other community stakeholders. To ensure only people who need hospital-level care are admitted, a robust array of preventive, treatment, and crisis services must be available in the community. The community behavioral health system must also have sufficient capacity to provide tailored services in a variety of integrated and independent settings for patients to be released from the hospital when they are ready.

Revenue Sources and Relationships

OSH's budget is supported primarily with General Fund, with limited amounts of Other Funds and Federal Funds revenues available for the hospital's services. Most of the hospital's General Fund is for staffing, contractual expenses, supplies, and facility costs required for patient care and operational support. A small portion ($0.8 million) is separately appropriated for capital improvements. Consistent with ORS 276.285, these funds are transferred to an Other Funds account dedicated for capital improvement projects, which the agency has the flexibility of using during the biennium or saving for capital improvement projects in future biennia, as necessary.

The hospital receives most of its on-going Other Funds revenue from insurance reimbursements and settlements for billable services for covered patients, principally through Medicare and, to a lesser extent, commercial insurance. Some revenue also comes from patients' Social Security benefits, private donations and grants, and miscellaneous revenue from certain hospital services, such as cafeteria and coffee shop sales. One of the financial impacts of a changing population at the Oregon State Hospital is lower numbers of patients on Medicare being admitted. This has reduced the collection of Medicare revenue resulting in the need for additional General Fund support.

Most of the hospital's federal revenue comes from federal Disproportionate Share Hospital (DSH) payments available to eligible psychiatric institutions to defray the cost of providing uncompensated care. It also includes limited reimbursement from Medicaid, which is available for services in Salem and Junction City only for eligible patients under age 21 or age 65 and older, as well as patients in the Pendleton Cottage. Federal law otherwise prohibits Medicaid reimbursement for patients age 21 through 64 who are in mental health residential treatment facilities with more than 16 beds.

Fluctuations in available federal revenue must also be considered when developing the hospital's biennial budget. Similar to the HSD Medicaid budget, the hospital must account for changes in the Medicaid match rate in terms of both the limited Medicaid reimbursement available for patient care and the federal DSH payments, which are impacted by the same federal match rate. During years when the match rate increases, General Fund can be saved; conversely, General Fund must be increased when the match decreases in order to maintain patient services.

Budget Environment

OSH's budget environment is normally dictated by large staffing expenses. As a 24-hour institution operating every day of the year, OSH functions very differently from the rest of the agency. The primary cost driver is staff, with over 70% working in direct care positions, such as nurses, mental health technicians, psychiatrists, and psychologists. Employee salaries and benefits comprise over 80% of the hospital's budget and a significant amount of the hospital's services and supplies expenditures is also directly related to patient care, such as prescription drugs and food. Under state law, the hospital's staffing plan is set by a nurse staffing committee that determines staff-to-patient ratios based on patient acuity level and commitment type. A consequence of this structure is that the hospital has very little flexibility to manage budget reductions without directly impacting the quality of care and safety of patients and staff. Holding positions vacant, a common cost-saving strategy in other parts of the agency, directly results in increased costs for overtime or contractual nursing services.

Finding the appropriate balance within the continuum of care for institutional and community-based services has proven difficult in Oregon. The advancement of pharmacological treatment and civil rights movements to improve patient protections and freedom have led to more mental health services provided in local communities than in large state-run institutions. Like other states, Oregon closed most of its state-run inpatient psychiatric facilities and shifted resources to community treatment settings. As a result, the number of patients in state facilities decreased from over 5,000 in the 1950s to a current OSH population under 650. In the process, the role of OSH has changed from a focus on custody and care to providing active specialized psychiatric treatment.

Despite this change in approach, residential bed capacity in the community remains insufficient to address demand, particularly with high acuity patients directed to treatment through encounters with the criminal justice system. At least in part, this has led to an influx of Aid and Assist clients to OSH. The increasing Aid and Assist caseload, coupled with an increase in GEI patients, has had other consequences: (1) fewer civil commitment patients are able to be admitted to OSH, which has resulted in many patients being boarded in community facilities inappropriate for their needs; (2) the overall patient acuity at OSH has increased, which increases safety risks and requires additional staff to care for patients; and (3) OSH is admitting more patients who are less likely to have insurance, which has shifted costs to the General Fund.

This dynamic became particularly pronounced during the COVID-19 pandemic. To reduce the risk of disease spread, the hospital temporarily paused patient admissions multiple times. It also established a quarantine unit to isolate new patients, which increased the amount of time patients spent at the hospital and added to the bottleneck in the admissions process. Shortfalls in direct care staffing have further complicated OSH's ability to safely care for all patients. Before the pandemic, OHA reported that an average of 13.4% of OSH direct care staff are absent each day, not including planned absences such as vacations. This requires other staff to work overtime. Not only have daily absences increased during the pandemic, but the hospital – like many health care settings across the country – has also experienced an increase in staff resignations that have proven difficult to backfill, causing its vacancy rate to rise, more mandated overtime for existing staff, and minimum staffing needs not always being met. To provide some alleviation, National Guard soldiers were twice called upon to temporarily fill critical roles at the hospital in 2021.

A critical factor influencing OSH admissions and discharges has been federal court orders establishing timeliness requirements for these processes. In 2003, the Ninth Circuit Court of Appeals issued an order, known as the "Mink Order," prohibiting the state from keeping individuals in jail for longer than seven days once found by a court to need Aid and Assist restorative services. If it cannot comply with this timeline, OHA risks being found in contempt of court, which could result in judicial intervention in the administration of Oregon's mental health system. Within the past five years, a sustained increase in the number of jailed individuals being found incompetent to stand trial caused some wait times to increase to over one month and resulted in legal proceedings filed by Disability Rights Oregon and Metropolitan Public Defender Services, the original plaintiffs in the *Mink* case.

In 2021, the Ninth Circuit appointed a neutral expert to work with OHA on capacity concerns at the hospital and submit two reports recommending, among other things, protocols surrounding the admission and treatment of

Aid and Assist patients. To make room for new admissions, the court issued an order in 2022 establishing maximum times for Aid and Assist restoration to take place for those facing misdemeanor and felony charges based on the severity of the charge. In 2021-23, the Emergency Board allocated $4.9 million General Fund to support 55 permanent positions (14.75 FTE) in OSH and four positions in the Health Systems Division to address the court order.

Funding and position authority were also approved in 2021-23 to open the remaining two unbudgeted patient units in Junction City, which increased OSH's capacity by 48 beds. With this investment, all patient units at the Salem and Junction City campuses are now fully funded. Actions taken during the 2022 regular session further increased OSH's budget by $10.8 million General Fund and 228 positions (188.52 FTE) in response to an OHA proposal to resolve shortfalls in nursing and other direct care staff. The new positions were supported with funding available in a special purpose appropriation to the Emergency Board established in HB 5024 (2021). The 2023-25 Governor's budget requested additional positions to complete implementation of a second phase of the agency's staffing plan, but this was not included in the legislatively adopted budget due to the hospital's continued high vacancy rate and difficulty recruiting and retaining staff.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Oregon State Hospital totals $795.7 million, which includes $749.2 million General Fund and 2,772 positions (2,768.75 FTE). The total funds budget represents a $24.5 million, or 3.2%, increase from the 2021-23 legislatively approved budget, and the General Fund budget represents a $343.9 million, or 84.9%, increase. The large General Fund increase is driven by the phase-out of one-time American Rescue Plan Act State Fiscal Recovery Funds included in OSH's 2021-23 budget with an equal reduction in General Fund. The 2023-25 budget also includes the following other increases:

- *Other Funds shortfall* – $23.5 million General Fund to backfill declining Other Funds revenue due to fewer patients being admitted to the hospital with Medicare or other insurance coverage.
- *Federal admission standards* – $15.6 million General Fund and 55 positions (55.00 FTE) to implement federal court ruling that established timelines for OSH's provision of restorative services to Aid and Assist patients (initially approved by the Emergency Board in 2021-23).
- *CMS audit* – $4.2 million General Fund and 20 positions (20.00 FTE) to address deficiencies raised in a CMS audit regarding the elopement of patient in Junction City (initially approved by the Emergency Board in 2021-23).
- *Complex patient* – $4.2 million and 21 positions (21.00 FTE) to support the construction of secured space and safety measures necessary for the Junction City campus to safely house and treat a complex patient (initially approved by the Emergency Board in 2021-23).
- *Workplace safety* – $1.2 million General Fund and six positions (6.00 FTE) to implement improvements in OSH's workplace safety in response to violations found during an inspection by the Oregon Occupational Safety and Health Administration.

In addition to these increases, the 2023-25 budget recognizes General Fund savings of $23.7 million to reflect a higher estimated vacancy rate given the magnitude of vacancies and continued recruitment and hiring challenges at the hospital.

Central Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	44,358,311	65,521,387	87,447,163	97,445,476
Lottery Funds	91,681	34,116	35,550	35,550
Other Funds	53,283,725	4,643,153	4,995,284	6,241,998
Federal Funds	10,835,883	19,431,290	21,685,399	28,159,949
Total Funds	**108,569,600**	**89,629,946**	**114,163,396**	**131,882,973**
Positions	147	246	245	276
FTE	141.49	230.70	245.00	271.39

Program Description

Central Services provides the leadership and business support to achieve the agency's mission. This budget structure supports the following programs:

- *Director's Office* – responsible for overall leadership, policy development and administrative oversight for the agency. This includes coordination with the Governor's Office, Legislature, other state and federal agencies, partners and stakeholders, local governments, advocacy and client groups, and the private sector.
- *External Relations Division* – responsible for building strong relationships with the public, media, Legislature, and other agencies at the state and federal levels.
- *Agency Operations Division* – provides operational support and human resources services to OHA. The division includes Central Operations and Human Resources.
- *Fiscal Division* – provides leadership and oversight of financial policies and coordinates budget development and execution for OHA.
- *Equity and Inclusion Division* – works on behalf of OHA and the broader health care system in the state to ensure the elimination of avoidable health care gaps and to promote optimal health for Oregonians.

Revenue Sources and Relationships

Central Services is funded based on a federally approved cost allocation plan where programs are charged according to their respective state and federal funding sources for the support they receive from Central Services. The transfer of programs into or out of OHA, as well as the enhancement or reduction of existing OHA programs, can impact the model's cost allocation statistics and result in changes to the amount of General Fund, Other Funds, or Federal Funds supporting Central Services.

Budget Environment

The Central Services budget increased significantly in 2019-21 through actions taken by the Emergency Board. The additional funding provided was for addressing the disproportionate impact the COVID-19 pandemic has had on communities of color. Although the investments approved in 2019-21 were one-time only, addressing inequities in the health care system will continue being a prominent agency priority as a result of ongoing investments made in 2021-23 and 2023-25, which are summarized below.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Central Services totals $131.9 million, which includes $97.4 million General Fund and 276 positions (271.39 FTE). This represents a 47% total funds increase and a 21% General Fund increase compared to the 2021-23 legislatively approved budget. These changes are driven by the phase-in of multiple General Fund investments made during 2021-23 and new investments made in 2023-25. The 2023-25 investments include the following:

- *REALD/SOGI data collection* – $15.4 million total funds ($12.4 million General Fund) and eight positions (6.50 FTE) for the race, ethnicity, language and disability (REALD) and sexual orientation and gender identity (SOGI) data collection and reporting systems used to recognize avoidable differences in care and outcomes in the continuum of care (package 403). REALD was the result of HB 2134 (2013) and was expanded to include SOGI in HB 3159 (2021), requiring annual collection of data from all providers and insurers.
- *Basic Health Plan* – $10.1 million total funds ($5.5 million General Fund) and 11 positions (8.88 FTE) for central agency expenses for implementing the Basic Health Program in July 2024 to cover Oregonians with incomes between 138-200% of the federal poverty level (package 202).
- *Health Care Interpreters* – $2 million General Fund for supporting collective bargaining for health care interpreters, whose negotiations are not covered by the special purpose appropriation to the Emergency Board for non-state employee collective bargaining costs (package 811).
- *Equity and Inclusion transfer* – $1.7 million total funds ($1.4 million General Fund) and six positions (5.01 FTE) from the transfer of equity and inclusion positions focused on COVID-19 programs to reflect the reassignment of these positions to the agency's at-large diversity activities as part of an agency-wide net-zero budget rebalance (package 801).

State Assessments and Enterprise-wide Costs

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	199,921,599	230,468,689	272,824,099	265,175,714
Lottery Funds	407,900	685,341	4,700,182	6,917,037
Other Funds	20,375,335	31,069,453	37,979,989	37,064,376
Other Funds (NL)	234,869,900	--	--	--
Federal Funds	44,893,896	66,780,272	65,973,124	64,578,697
Federal Funds (NL)	887,859	--	--	--
Total Funds	**501,356,489**	**329,003,755**	**381,477,394**	**373,735,824**

<u>Program Description</u>
State Assessments and Enterprise-wide Costs (SAEC) is the budget structure for costs that affect the entire agency. This includes central government assessments and usage charges, such as state government service charges, risk assessments, State Data Center usage charges, Secretary of State audit charges, mass transit charges, and information technology direct charges. This budget also includes all facility costs, including rent, maintenance, and utilities, as well as funding to pay for shared services provided by both OHA and the Department of Human Services. Debt service costs became part of the SAEC budget in 2013-15 and support the repayment of Build America Bonds for the construction of the Oregon State Hospital facilities in Salem and Junction City, as well as additional investments in 2023-25 referenced below. The SAEC budget does not include any staff.

<u>Revenue Sources and Relationships</u>
Of SAEC's $373.7 million total funds budget, $68.2 million supports debt service, which is $62 million General Fund and $6.2 million Lottery Funds. Apart from debt service, the SAEC budget is similar to Central Services regarding its reliance on a federally approved cost allocation plan where programs are charged according to their respective state and federal funding sources for the costs they incur.

<u>Budget Environment</u>
Assessments and usage charges are paid to other state agencies, in particular the Department of Administrative Services, Department of Justice, and Secretary of State. As those budgets are adjusted by the Legislature, the SAEC budget is also adjusted to reflect those changes. Similar to the Central Services budget, the transfer of programs into or out of OHA, as well as the enhancement or reduction of existing OHA programs, can impact the

model's cost allocation statistics and result in changes to the amount of General Fund, Other Funds, or Federal Funds supporting SAEC.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for SAEC totals $373.7 million, which includes $265.2 million General Fund. This represents a 13.6% total funds increase and a 15% General Fund increase from the 2021-23 legislatively approved budget. The increases are primarily related to current service level changes and the following policy package adjustments:

- *Mainframe migration* – $3 million total funds ($1.8 million General Fund) to initiate the migration of OHA's legacy mainframe and client payment system to a cloud-based system that can be better supported (package 203).
- *Behavioral health bed capacity debt service* – $2.5 million Lottery Funds for debt service on $20 million in lottery bond sales issued in 2021-23 to increase behavioral health capacity. An additional $50 million in lottery bonds are to be issued in 2023-25 to build acute psychiatric care bed capacity, but the sale of those bonds will not occur until late in the 2023-25 biennium and the corresponding debt service will not begin until the 2025-27 biennium (package 811).
- *State Hospital debt service* – $1.8 million General Fund for debt service on Article XI-Q bonded projects to replace the programmable logic controller that integrates camera and door control systems, and to make architectural changes at the Junction City campus. This project is necessary to accommodate a properly licensed area to manage a complex patient that presents unique safety challenges to staff members and himself.

Shared Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	175,178,776	222,924,593	236,352,586	234,625,581
Total Funds	**175,178,776**	**222,924,593**	**236,352,586**	**234,625,581**
Positions	562	621	622	650
FTE	550.90	612.32	621.50	642.50

Program Description

Shared Services supports costs associated with business functions used by both OHA and the Department of Human Services (DHS) under a joint governance agreement. Both agencies have a Shared Services budget structure to support the coordinated administrative services available to all OHA and DHS programs. The budget is reflected entirely as Other Funds expenditure limitation, which is funded with General Fund, Lottery Funds, Other Funds, and Federal Funds revenues budgeted in the programs that pay for the services offered.

The only program currently housed in OHA's Shared Services budget is the Office of Information Services (OIS). This program deploys and maintains the information technology hardware and software needed by OHA and DHS employees to do their jobs; oversees the implementation of enterprise-wide technology solutions; ensures the back-up and integrity of data used by agency employees and partners; and provides the information infrastructure and technical support necessary to maintain key business services, such as payroll distribution, vendor payments, and personnel actions. Whereas OIS is budgeted within OHA's Shared Services structure, this budget also supports OHA's use of the following services budgeted within DHS's Shared Services structure: the Office of Forecasting, Research, and Analysis; Office of Financial Services; Office of Human Resources; Facilities; Office of Imaging and Records Management; Office of Payment, Accuracy, and Recovery; and Internal Audit.

Revenue Sources and Relationships

Like Central Services and SAEC, Shared Services expenditures are allocated based on a federally approved cost allocation plan. The distribution of expenditures through the cost allocation process determines the payments received as Other Funds from both DHS and other parts of OHA for purchased services. The revenues to pay for Shared Services within the OHA budget are primarily in the State Assessments and Enterprise-wide Costs budget and paid from General Fund, Lottery Funds, Other Funds, and Federal Funds.

Budget Environment

The Shared Services model began in the 2011-13 biennium when the once-combined OHA and DHS were reorganized into separate agencies. The Shared Services structure was chosen to ensure the cost effectiveness of administrative services and to eliminate the duplication of resources. Reductions or increased spending approved in the shared administrative services operations result in corresponding adjustments elsewhere in the OHA and DHS budgets.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Shared Services totals $234.6 million Other Funds and includes 650 positions (642.50 FTE). The budget represents a 5.2% increase from the 2021-23 legislatively approved budget, which is largely due to increased expenditure limitation of $3.6 million to support mainframe migration for the provider and client payment system from COBOL to a supported cloud-based solution. Other budget adjustments include:

- *State-based Marketplace* – $785,677 Other Funds and three positions (2.50 FTE) to support the Shared Services costs associated with transitioning Oregon's current federally-based insurance marketplace to a state-based system (package 416).
- *Basic Health Program* – $681,724 Other Funds and one position (1.00 FTE) to support Shared Services information technology needs for the launch of the Basic Health Plan in July 2024 (package 416).
- *Employment Related Day Care* – $626,811 Other Funds and two positions (1.50 FTE) for information technology support to expand access to the Employment Related Day Care program by establishing eligibility criteria that separately assesses household income, employment status, involvement with child welfare services, and other elements. A General Fund increase was approved in the Department of Human Services to pay for this change pursuant to the adoption of HB 2683 (2023).

Capital Construction

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	--	7,992,750	--	8,000,000
Total Funds	**--**	**7,992,750**	**--**	**8,000,000**

Program Description

Funding approved through the Capital Construction budget process supports planning, design, and construction activities for facility projects with a cost of more than $1 million. OHA's 2023-25 Capital Construction budget consists of two projects at the Oregon State Hospital (OSH) approved in the 2023 session. One of these projects includes the replacement of the programmable logic controller (PLC) that integrates camera and door control systems to maintain safe and secure operations. The estimated cost of this project totals $3 million.

The second project involves the construction of a new unit at the Junction City location to accommodate the needs of a patient that presents a danger to himself, other patients, and staff. During the COVID-19 federal public health emergency, OSH received a temporary licensing waiver to convert an administrative area of the hospital into a patient housing area. The bonded project involves the construction of a new permanent space that improves safety to the rest of the facility by re-establishing the use of a secure entryway for patient intake and discharge that had been restricted by the positioning of the temporary space. The positions to operate this new location were funded by the December 2022 Emergency Board and phased-in as part of the agency's 2023-25 budget. The budget for this project totals $5 million Other Funds.

Revenue Sources and Relationships

The Other Funds revenue available to support both projects include proceeds from the issuance of general obligation bonds authorized under Article XI-Q of Oregon's Constitution. HB 5005 (2023) authorizes the issuance of bonds to support the projects and HB 5006 (2023) provides corresponding six-year Other Funds expenditure limitation.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $8 million Other Funds establishes the expenditure limitation necessary to support OHA's estimated Capital Construction expenditures for the replacement of hardware that assists with camera and door control systems and the construction of a new secure unit for a complex patient at the Junction City campus.

Analyst: Jolivette

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	3,637,247,990	4,470,148,002	5,434,996,743	5,705,675,225
Other Funds	751,048,822	1,005,222,636	657,050,606	1,034,093,144
Federal Funds	6,087,670,199	8,042,748,443	7,680,566,236	8,123,354,666
Federal Funds (NL)	2,800,165,775	4,881,868,127	3,681,868,127	3,681,868,127
Total Funds	**$13,276,132,786**	**$18,399,987,208**	**$17,454,481,712**	**18,544,991,162**
Positions	9,587	10,457	10,336	11,034
FTE	9,340.43	10,275.52	10,280.58	10,775.66

Overview

The Department of Human Services (DHS) supports children, families, seniors, people with physical disabilities, and individuals with intellectual and developmental disabilities by providing a range of services through 170 field offices and many community partners. The agency's mission is to help Oregonians in their own communities achieve safety, well-being, and independence through services that protect, empower, respect choice, and preserve dignity. In 2009, responsibility for health programs (physical, public, mental) was shifted from DHS to the Oregon Health Authority (OHA). The two agencies work closely together to serve their many common clients and share several administrative functions to leverage efficiencies and economies of scale. Trends that influence demand on DHS programs and the agency's budget include a growing population of older adults and number of people with disabilities, the rate of economic growth, a tight labor market in which housing and other living costs outpace wage increases, and regional dynamics that have limited economic recovery in many parts of rural Oregon.

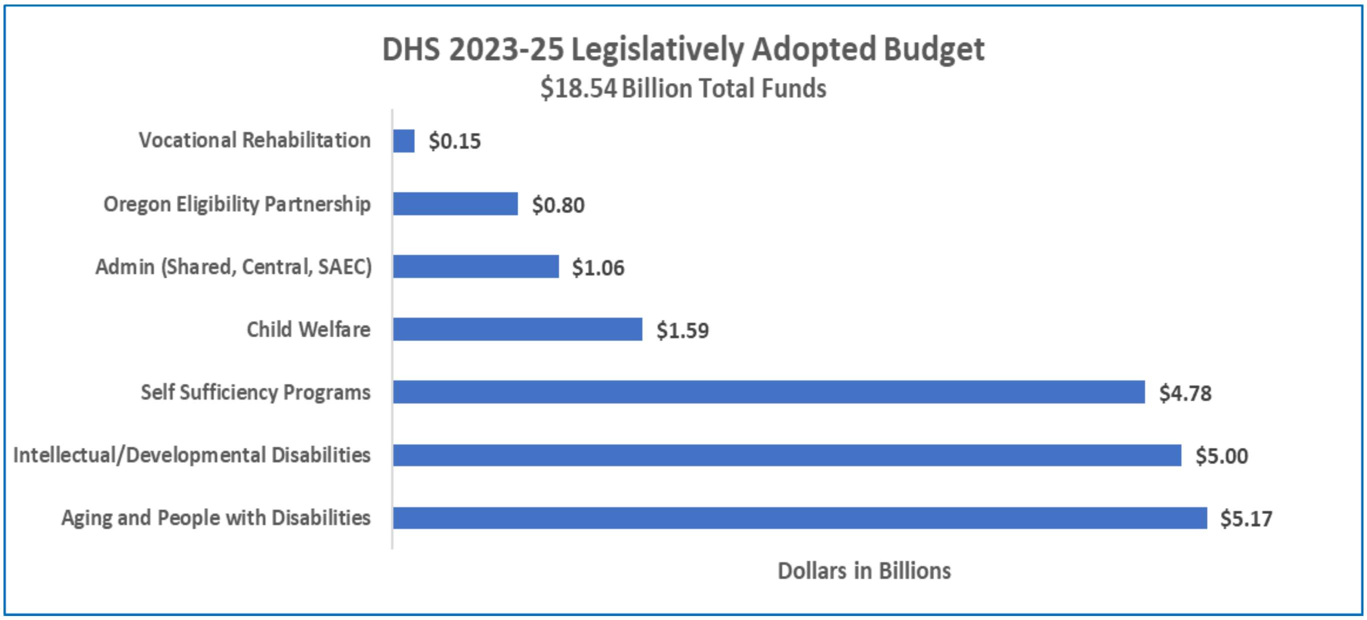
To provide services, the agency operates through five distinct separate program areas:

- Self Sufficiency Programs (SSP) – Assists low-income families by promoting family stability and helping them become self-supporting. Programs help clients meet basic needs, such as food and shelter, and provide job training, employment assistance, parenting supports, health care, and childcare.
- Child Welfare (CW) – Provides prevention, protection, and regulatory programs for Oregon's vulnerable children. This includes programs that offer safe and temporary or, if necessary, permanent families for children that have been abused or neglected through child protective services, in-home services, out-of-home services, and adoptions.
- Vocational Rehabilitation (VR) – Works with businesses, schools, and community programs to assist youth and adults with disabilities other than blindness to obtain, maintain, or advance in employment.
- Aging and People with Disabilities (APD) – Provides long-term care and other services to seniors and people with physical disabilities. Clients receive services in their own homes, in community-based care settings, and in nursing facilities.
- Intellectual and Developmental Disabilities (IDD) – Serves children, adults, and families affected by intellectual and developmental disabilities. Program services include in-home family support, intensive in-home supports, and out-of-home, 24-hour services delivered by foster or residential care providers.
- Oregon Eligibility Partnership (OEP) – Supports state staff working to determine eligibility for people applying for and receiving medical, food, cash, and childcare benefits. OEP also manages the ONE Eligibility system used to process applications and deliver benefits to eligible individuals and families.

In addition to these programmatic budget groupings, DHS uses the following three administrative budget structures to fund DHS's administrative responsibilities and, in the case of some shared functions, also for OHA.

- Central Services – Includes activities directly related to policy and program in the agency, such as the director's office, communications, organizational development, and budget planning.
- Shared Services – The DHS portion of Shared Services includes budget, forecasting, financial services, human resources, facilities, imaging and records, contracts and procurement, training, internal audit, payment recovery, and background checks.
- State Assessments and Enterprise-wide Costs – This budget pays for various assessments or charges paid by all state agencies and certain centralized agency costs.

At the 2023-25 legislatively adopted budget level, DHS has the second largest budget of any state agency, after OHA. DHS makes up 17.9% of the statewide General Fund budget and 15.3% of statewide total funds spending. The following chart shows how the agency's 2023-25 legislatively adopted budget of $18.5 billion total funds is allocated across programs and budget structures.



<u>Revenue Sources and Relationships</u>

For the 2023-25 biennium, General Fund supports 30.8% of DHS' budget. Almost all of the General Fund is used as match or to meet state maintenance of effort requirements for receiving Federal Funds. The overall General Fund share of DHS' budget is 27.6% higher than it was in the 2021-23 biennium and includes General Fund added to offset one-time non-General Fund used in 2021-23, General Fund savings from one-time revenues assumed in the 2023-25 biennium, and ongoing or new General Fund investments.

Other Funds revenues support 5.6% of DHS expenditures. These come from a wide variety of sources, including nursing home provider assessments, grants, the unitary tax assessment, estate collections, third party recoveries, fees, and charges for services. Federal Child Care and Development Fund (CCDF) moneys are received from the Department of Early Learning and Care and spent as Other Funds in DHS on the Employment Related Day Care (ERDC) program.

Federal Funds support 63.7% of DHS expenditures for the 2023-25 biennium. The largest single Federal Funds source is for the Supplemental Nutrition Assistance Program (SNAP, previously known as food stamps), which makes up 19.9% of DHS's total budget; these benefits are reflected in the budget as Federal Funds Nonlimited. Federal Funds subject to expenditure limitation include the Title XIX Medicaid program, Temporary Assistance to

Needy Families (TANF), Title IV-E Foster Care and Adoption Assistance, Child Welfare Services, Title XX Social Services Block Grant, and Basic 110 Rehabilitation funds. Some of these sources are capped block grants (e.g., TANF, Social Services Block Grant), while others provide federal matching funds as partial reimbursement of state costs (e.g., Medicaid, Foster Care, and Adoption Assistance).

Three major methodologies are used to project revenues: 1) the category of expenditures based on estimated average daily populations and cost per case is primarily used for federal entitlement grants; 2) grant cycles and where they fall within the biennium are considered for block grants, and assumptions based on the results of prior grant averaging and the anticipated effect of the federal budget process are both used to project the amount of funds to be received; and 3) the historical receipt trends method is used for Other Funds sources such as collections of overpayments and fees unless the agency has additional information, such as anticipated special projects, which would increase revenue and change projections for a specific time period.

Assumptions about the agency's federal funding streams for 2023-25 are based primarily on federal fiscal year 2023 budget levels and federal programs as currently authorized. A key factor affecting federal revenue is the Federal Medicaid Assistance Percentage (FMAP); this federal reimbursement rate is used for multiple programs and is calculated based on a three-year average of state per capita personal income compared to the national average.

For 2023-25, the legislatively adopted budget assumes the federal matching share will decrease from a biennial average of 60.34% in 2021-23 to 59.24% in the 2023-25 biennium. More recent projections indicate the federal share will be slightly higher than the 2023-25 budgeted average rate; this translates into needing less General Fund support for mandated programs and will likely require an interim budget adjustment. From federal fiscal year 2021 to 2025, Oregon's base FMAP rate is projected to decline by 1.84 percentage-points, which is the second largest projected decrease for a state over that time period.

The Families First Coronavirus Response Act (FFCRA) temporarily increased federal funds to states through a higher Medicaid match rate. Effective January 1, 2020, states were authorized to receive 6.2% above their regular FMAP. This enhancement was initially set to expire at the end of the public health emergency; however, Congress chose instead to gradually phase-down the enhanced rate beginning April 1, 2023 and end it entirely as of January 1, 2024. Accordingly, the adopted budget assumed Oregon will receive the enhanced FMAP through January 1, 2024. FFCRA allows states to redirect General Fund savings to other purposes.

The American Rescue Plan Act (ARPA), in addition to funds for general state and local fiscal relief, provided enhanced federal funding for state Medicaid spending on Home and Community Based Services (HCBS). For the period April 1, 2021, through March 31, 2022, states were eligible to receive a 10% increase in their FMAP for specified HCBS. ARPA required states to use the funding to enhance, expand, or strengthen HCBS, including long term services and supports. States have until March 31, 2025, to spend the money. In total, Oregon received an estimated $270 million. The adopted budget carries forward approximately $91 million of one-time funds for federally approved HCBS enhancements.

<u>Budget Environment</u>

DHS operates within a complex and dynamic budget environment primarily due to the broad range of Oregonians it serves and its multiple funding sources. Oregon's economy, demographics, federal law and funding levels, and state human services policy all affect demand for DHS' services and influence its budget. Oregon's economy has a significant impact on DHS' budget; a poor economy creates more need for basic services for those who have few or no financial resources. Economic effects are felt most strongly in safety net programs such as TANF and SNAP but can also help create family circumstances that drive other needs served by the agency, such as interventions to keep children safe or in-home care services. Demographics have a long-term impact, most notably for services to seniors. Demand for long-term care services increases as the number of Oregonians aged 65 and up continues to grow, particularly those 75 and older. Even individuals who were financially stable when younger may seek help when needing more costly in-home or out-of-home care as they age.

With federal dollars supporting close to two-thirds of DHS's budget, federal law and funding levels can give the state more or less capacity to meet the needs of Oregonians. DHS must adjust its budget on an ongoing basis for FMAP changes and ever-evolving federal law and regulations. DHS's long-term care program for seniors and people with disabilities, for example, is governed by waivers of certain federal Medicaid regulations. Most proposed program or rate changes must be approved by the Centers for Medicare and Medicaid Services (CMS) before being implemented. In many programs, such as TANF, the federal government establishes outcome standards, reviews state performance against those standards, and can levy penalties and/or develop program improvement plans to force progress towards those standards. On a much more limited basis, some performance improvements can result in a financial award to the state.

Some federal funding streams also have state maintenance of effort (MOE) funding requirements, which prevent states from reducing state program funding below identified levels without risking penalties. For example, in exchange for the $166.8 million from the annual federal TANF block grant, Oregon must meet both MOE requirements and client work participation rate requirements. The MOE requirement means non-federal support from the General Fund or other state resources must be at least $91.6 million per year (75% of the state contribution in the 1994 base year) unless JOBS participation has not been met at which point 80% is required; this level, or $97.7 million in MOE per year, is currently required. Dependence on federal funding also leaves agency programs vulnerable when there is uncertainty at the federal level with either funding amounts or program requirements. For example, federal sequestration has affected DHS programs differently; most large programs – SNAP, Medicaid, and TANF – have been exempt from sequestration, but many smaller and often discretionary grant programs in Child Welfare, Self Sufficiency, and Vocational Rehabilitation have seen funding reduced under sequestration.

Uncertainty and unknown costs tied to program requirements may be driven by potential reauthorization of federal laws governing those programs or a reinterpretation or clarification under federal rules. A renewed program may include changes, for example, in eligibility or authorized spending, that increase workload or restrict program availability. Timing for changes frequently does not align with state legislative or budget development timelines, leaving financial or other risks unquantified and difficult to address in the budget.

The Office of Forecasting, Research, and Analysis (OFRA), which is a DHS/OHA shared service housed in DHS, issues client caseload forecasts semiannually (spring and fall) for the major DHS program areas. OFRA staff use a combination of time-series techniques, deterministic models, and information from program experts to produce each forecast. Monthly reports track accuracy by comparing forecast caseloads with actual caseload counts. This information is used to develop program budgets, monitor budget versus actual expenditures, and make management decisions.

The 2023-25 legislatively adopted budget is based on the spring 2023 caseload forecast, which was released in May 2023. Routinely, after each caseload forecast, DHS re-projects its budget using the updated caseload numbers and associated costs. Then, depending on the outcome of that repricing, the agency may develop a rebalance plan to adjust expenditures across the agency. This allows DHS to manage its budget on an ongoing basis, often without needing to request more funding or spending authority from the Legislature. The rebalance plan and associated changes to legal appropriations can be approved by the Emergency Board during the interim or as part of a budget bill during a legislative session. In recent biennia, rebalance actions have typically occurred during the short session, in December of even numbered years, and in late spring during the long legislative session.

The agency's service delivery system relies on both state staff and contracted community partners for child care, foster care, residential treatment, long-term care, and other services. Approximately 82% of the DHS budget will be spent directly on provider services and in direct payments to clients. The application of inflationary, cost of living, or other adjustments to provider reimbursement rates vary by program but most do not have a formal review cycle or consistent pricing methodology. Typically, the rates are reviewed in response to federal actions, stakeholder concerns, or when access to services becomes an issue. An ongoing legislative concern tied to rates has been on how those rates translate into direct care worker wages.

About 12.4% of the budget pays for DHS employees who directly serve clients in communities across Oregon. For most programs, the agency uses a model to determine the number of direct service staff and supervisors that are needed to serve agency clients. Over the past several years, DHS has contracted for staffing studies to review current workload and staffing needs. The studies made recommendations for potential efficiencies and process improvements, but also supported a move from caseload-based staffing models to models that reflect workload standards. Due to budget constraints, these models are frequently funded at less than 100%, but the funded percentage of the model may be used as a target or reference point. To manage caseloads within budget, DHS continues to refine its workload models, leverage process improvements, and seek technology solutions.

State human services policy has a direct effect on DHS's programs and service delivery. Over the past few decades, Oregon's human services programs have moved to intervene earlier and in less-costly ways to prevent or mitigate the problems these programs address. As an example, in the early 1980s, the Medicaid long-term care system received federal waivers to implement the nation's first home and community-based care system. In-home services are delivered to help elderly Oregonians and people with intellectual and developmental disabilities stay at home rather than be moved to out-of-home care. More recently, many of these services have moved under the K Plan, which is a Medicaid state plan option authorized under the Affordable Care Act.

The TANF program is in part a family safety program, using cash assistance and other services to help stabilize families. Child welfare is focusing more on in-home services, where appropriate, instead of foster care. Prevention and early intervention have been clear policy choices. The dilemma comes when available funding is not sufficient to support earlier, less-costly services while still paying for more intensive, and often more expensive services, to meet emergent needs and address changing caseloads.

When budget reductions are needed, options in human services programs focus on client eligibility, benefit levels, staffing, and service delivery costs. In some programs, such as Medicaid, the agency has limited flexibility in determining eligibility and providing services. Benefit levels in some programs are direct payments to individuals; in others they reflect reimbursements to providers for services. The cost of delivering services, such as individual supports, community programs, or residential services, in theory, could be reduced through provider rate reductions. However, in practicality, providers' operational costs, collective bargaining requirements for some providers, and state statutory requirements are all factors that may make that reduction untenable. The agency has made efforts to better tie reimbursement to levels of need, but provider reimbursement has historically been determined by the type of provider group and is not consistent across programs or services provided.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget for the Department of Human Services totals $18.54 billion, which is an increase of $145 million, or 0.8%, from the 2021-23 legislatively approved budget. The adopted General Fund budget is $5.7 billion, which reflects an increase of $1.2 billion, or 27.6%, from 2021-23. The agency's budget supports 11,034 positions, which is a 5.5% increase (577 positions) over the 2021-23 level.

Over 60% of the net growth in General Fund and total funds is attributable to costs of caseload growth and associated cost per case; expenditures are driven by the roll-up of rate increases from the prior biennium and changes in the caseload mix across programs. About 25% of the growth is tied to personal services, which includes impacts of collective bargaining (salary increases) and position phase-ins. The adopted budget makes investments in several key areas, namely provider reimbursement rates, new programs and program enhancements, and operational infrastructure.

Provider Rates. The budget continues provider rate increases that were set to expire at the end of 2021-23 in the Aging and People with Disabilities (APD), Intellectual/Developmental Disabilities (I/DD), and Child Welfare (CW) programs, and provides new rate increases. In APD, the budget invests $57 million General Fund to maintain a

10% wage add-on and a 5% COVID enhancement provided to community-based care providers and invests $11.2 million General Fund to provide a 5% rate increase effective July 1, 2024. In I/DD, the budget invests $27.5 million General Fund to continue a 5% rate increase adopted as a COVID enhancement in 2021-23. In CW, the budget invests $2.9 million General Fund to continue the 5% vacant bed factor plus a COVID differential of $13.70 per day of bed use, both of which were set to expire on June 30, 2023. In addition, the budget provides $16.8 million General Fund to increase foster care reimbursement rates an average of $241 per month.

New Programs and Enhancements to Existing Programs: The budget provides resources for continued implementation of new programs. This includes funds for (1) Healthier Oregon Program (HOP) caseload and services; (2) the Oregon Project Independence/Family Caregiver Assistance Program expansion; and (3) implementation of the new 1115 Medicaid Waiver, which, among other things, implements continuous Oregon Health Plan enrollment for kids up to six years of age, and two-year continuous enrollment for individuals over five years of age. In addition, the recommended budget includes $94.6 million General Fund on a one-time basis for continued implementation of various enhancements to home and community-based services in the APD and I/DD programs.

Agency Operational Capability/Effectiveness: In support of DHS's operations infrastructure and capability, the budget provides support for 300 full-time permanent eligibility and support staff to manage the large volume of eligibility redeterminations that accrued because of federal policy changes during the pandemic related to eligibility processing. Other key investments in agency infrastructure include $16.2 million General Fund for ONE system maintenance and operational costs, and $3 million General Fund for mainframe migration.

Five budget notes were approved in budget bills impacting the agency's 2023-25 budget; budget notes are directives setting out legislative intent for a specific budget component or expected actions associated with the agency's execution of its budget. The budget note topic, bill number, and applicable reporting requirements are as follows:

- Long-term care wages, HB 5026 (2023) – directs the agency to conduct a survey of providers to determine the wages paid to direct care staff and report to the Human Services Subcommittee of the Joint Committee on Ways and Means by February 15, 2025.
- Eligibility Redeterminations, HB 5026 (2023) – directs the agency to report to the Human Services Subcommittee of the Joint Committee on Ways and Means during the 2024 regular legislative session on the status of eligibility redeterminations.
- Home and community-based services, HB 5026 (2023) – directs the agency to report to the Human Services Subcommittee of the Joint Committee on Ways and Means by January 1, 2024, on the status of the home and community-based services spending plan.
- Humanitarian Mission, SB 5506 (2023) – directs the agency to present to the Human Services Subcommittee of the Joint Committee on Ways and Means during the 2024 regular legislative session on the status of efforts to transition 300 immigrants out of the temporary welcome center and into community-based housing and wrap-around services.
- Comprehensive rate and wage study, SB 5506 (2023) – directs the agency to conduct a comprehensive rate and wage study across home and community-based service delivery systems and report on findings and recommendations to the Joint Committee on Ways and Means or Emergency Board no later than September 2024.

More detail on the DHS budget is presented below for the following programs or functional areas: Self Sufficiency, Child Welfare, Vocational Rehabilitation, Aging and People with Disabilities, Intellectual and Developmental Disabilities, Oregon Eligibility Partnership, Central Services, Shared Services, and State Assessments and Enterprise-wide Costs.

Self Sufficiency Programs

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	455,016,515	600,001,388	478,758,199	346,746,987
Other Funds	160,228,245	238,518,216	2,507,797	340,554,434
Federal Funds	466,605,960	615,757,632	625,216,365	405,902,488
Federal Funds (NL)	2,800,165,775	4,881,868,127	3,681,868,127	3,681,868,127
Total Funds	**$3,882,016,495**	**$6,336,145,363**	**$4,788,350,488**	**$4,775,072,036**
Positions	2,600	2,789	2,791	998
FTE	2,491.47	2,765.77	2,788.22	994.03

Program Description

Self Sufficiency Programs (SSP) assist low-income families by meeting critical needs while helping them become self-supporting. The major programs in this area are:

- Supplemental Nutrition Assistance Program (SNAP) – Federally funded benefits that help low-income families, single adults, and childless couples buy the food they need to stay healthy. In July 2023, 421,698 people – about 1 in 7 Oregonians – received SNAP benefits worth almost $138 million for the month.
- Temporary Assistance to Needy Families (TANF) – Provides cash assistance, which, when coupled with SNAP benefits, supply basic supports for families with children under the age of 19 that meet eligibility criteria. In July 2023, 19,689 families (single and two parents combined) received TANF cash assistance. Income qualification and benefit amounts are based on family size and income. TANF also provides Job Opportunity and Basic Skills (JOBS) services, which include education, training, job placement, and support services. Other program services include limited TANF transition payments; assistance and support services for domestic violence survivors; services to families eligible for Supplemental Security Income or Supplemental Security Disability Income (pre-SSI/SSDI); and Family Support and Connections services to help families at risk of child abuse or neglect.
- Employment Related Day Care (ERDC) – Designed to help families who are working, in school, or receiving TANF cash assistance pay for child care, including registration fees. ERDC is a subsidy program, which means many families still pay part of the child care cost. This “copayment” is based on income and household size. The state subsidizes the remaining costs up to the maximum rate. In July 2023, 12,971 families were eligible for ERDC subsidies and the ERDC program paid for 17,887 children in day care. HB 3073 (2021) transferred the ERDC program from DHS to the new Department of Early Learning and Care (DELC); however, DELC has contracted with DHS to administer several aspects of the program, including eligibility and provider payment processing.
- Refugee Program – Refugees and others with an eligible immigration status can get help with cash, medical, employment and other services when they first come to Oregon to facilitate a successful transition in the U.S. and help them attain self-sufficiency. These services are paid for with a combination of General Fund and Federal Funds received through the Office of Refugee Resettlement, which are passed through to local resettlement agencies. DHS works with local resettlement agencies community groups and social and workforce agencies to provide time-limited cash and medical assistance, SNAP benefits, and employment services to new refugees in Oregon.
- Youth Services – Supports teen pregnancy prevention and other youth development initiatives related to juvenile crime, drug and alcohol use, youth suicide, school dropout, and sexual assault prevention and education programs.

SSP administers these programs through coordination and collaboration with families and individuals as well as community partners, and through direct services provided by state staff. Field staff provide program services and benefits to clients through more than 100 field and branch offices throughout the state.

Revenue Sources and Relationships

For the 2023-25 biennium, General Fund supports 7.3% of this budget, Other Funds, 7.1%, and Federal Funds, 85.6%. The major source of Other Funds is $338 million in federal Child Care Development Fund (CCDF) dollars transferred from the Department of Education for ERDC. The budget also includes child support recoveries and client trust account funds from client resources, such as federal Supplemental Security Income (SSI) disability payments. Overpayment recovery revenues are also used to offset costs and preserve General Fund.

Nonlimited SNAP benefits are the single largest source and use of Federal Funds in SSP. SNAP benefits are projected at $3.7 billion for the 2023-25 biennium. SNAP caseloads are still above pre-recession levels but are expected to continue to decline over the biennium. Federal dollars also help pay for program administrative costs, which are budgeted as Federal Funds Limited.

Other Federal Funds come from capped or formula-based block grants, payments for partial reimbursement of eligible state costs, and miscellaneous grants for specific amounts and purposes. Oregon receives $166.8 million a year from the base federal TANF block grant, which pays for cash assistance, JOBS services, child care, and other self-sufficiency programs, as well as child welfare services, such as foster care and residential care.

Budget Environment

Demand for many SSP services increase in poor economic times as demonstrated by significant increases in caseloads for SNAP benefits and TANF cash assistance during the most recent recession. Federal funds supporting TANF and child care programs are capped; TANF program cash benefits and employment services are funded primarily with the capped TANF block grant. The block grant does not increase based on higher caseload demands or costs, so the state is faced with adding state funds or decreasing services when costs exceed the available federal funding. Similarly, the federal CCDF that supports ERDC is a capped federal grant.

Frequently, clients face barriers to employment such as drug and alcohol problems, lack of reliable transportation or affordable child care, or a work disability, such as mental illness. Timely access to treatment programs and support services is critical to address these problems and move clients off cash assistance. Many of these needed services are funded in DHS or by other government programs.

SNAP benefits make up over half of the SSP budget. The benefits are Federal Funds Nonlimited expenditures without a direct General Fund cost, but staffing to determine and monitor eligibility for the program is a 50% state/50% federal cost. The SNAP caseload grew dramatically between 2008 and 2012 as a result of both Oregon's economic conditions and program outreach to encourage eligible individuals and families, especially the elderly, to apply for the assistance. The caseload peaked at 444,277 households in 2012, and then dropped each year until 2020 when caseloads surged to near peak levels in response to the COVID-19 pandemic and related economic conditions. The projected biennial caseload average for 2023-25 is 420,349 households, which is 0.1% higher than the 2021-23 biennial average.

Along with an MOE requirement, the TANF program also has client work participation rate requirements. If Oregon fails to meet the work participation rate (states must reach 50% work participation for most families and 90% for two-parent families), the MOE requirement increases from 75% to 80%. Oregon's MOE has come from several agencies, including DHS, the Employment Department, and the Department of Education. Budget decisions on General Fund appropriations in those agencies can affect the state's ability to meet TANF MOE requirements. In recent years, Oregon has also counted the refundable Working Family Child Care tax credit towards its MOE. Oregon has been able to meet MOE funding requirements, but it has not been able to consistently meet federal work participation rates, and currently faces potential penalties for failure to meet work participation rates in federal fiscal years 2007 and 2022.

Many adults must meet certain additional work or activity requirements to receive TANF services. The JOBS program provides employment and skill-building services to help TANF clients gain skills necessary to join the workforce and retain employment. After finding employment success and exiting TANF, families can access ERDC, which helps low-income, working families arrange and pay for quality child care. Federal guidelines emphasize providing these families with the same opportunity for reliable, quality child care as other families with higher incomes. Providers are required to meet a set of health and safety standards, along with passing required background checks before they can become DHS providers and receive payment.

For the 2023-25 biennium, TANF caseloads are projected to average 19,180 families per month, which is about 3.3% higher than the average monthly caseload for 2021-23.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for SSP is $346.7 million General Fund and $4.8 billion total funds, with 998 positions (994.03 FTE). The total funds budget is 24.6% lower than the 2021-23 legislatively approved budget, which is largely due to a projected decrease in SNAP benefit expenditures. These Federal Funds Nonlimited expenditures make up 77% of SSP's total budget. The General Fund budget is $253.3 million, or 42.2%, lower than the 2021-23 budget; this decrease is primarily due to an organizational change within the agency that moved staff and related funding for eligibility functions to the new Oregon Eligibility Partnership program.

The legislatively adopted budget maintains core programs, including the TANF One and Two-Parent programs and related services. Additionally, it provides $338 million for ERDC child care subsidies. New spending includes the following one-time adjustments:

- $12.5 million General Fund for grants that promote access to shelter facilities, outreach, culturally specific services and mental or substance abuse services for youth experiencing homelessness (HB 5019).
- $7.4 million General Fund for grants to organizations operating host home projects to expand the operation of such projects and increase the number of youths that have access to this type of transitional shelter; includes support for five limited-duration positions (5.00 FTE) for administration of the grants (HB 5019).
- $4.2 million General Fund for housing support to low-income college students. Included within this amount is support for one limited-duration program analyst position (1.00 FTE) to perform the work associated with distribution of the funds (HB 3395).
- $10 million General Fund for distribution through the statewide food bank network to fill the gap in food supplies resulting from reduced post-pandemic food donations.
- $20.9 million General Fund to provide food, shelter and wraparound services for individuals pursuing a case by U.S. Citizenship and Immigration Services. This includes $10.8 million for DHS to shelter and feed families and individuals at the temporary welcome center until Multnomah County can transition them to community-based services, $9.75 million for Multnomah County for coordination and community-based housing and resources, and $377,564 for five limited-duration positions for program administration (1.90 FTE).

Child Welfare

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	744,197,350	822,637,604	979,705,501	970,349,569
Other Funds	43,135,576	47,870,616	34,443,622	40,431,711
Federal Funds	475,928,727	578,075,407	564,194,608	579,880,503
Total Funds	**$1,263,261,653**	**$1,448,583,627**	**$1,578,343,731**	**$1,590,661,783**
Positions	3,290	3,403	3,398	3,594
FTE	3,236.99	3,348.10	3,361.48	3,407.98

Program Description
Child Welfare (CW) programs work to assure the safety of children and provide services to their families, including 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 children served are dependent, neglected, abused, mentally or physically disabled, and/or placed in the state's legal custody. The following are the main CW programs and services:

- Child Safety Services – Assesses reported child abuse or neglect and, if needed, prepares, and implements safety plans for children, including case management or contracted services for families. Services may include substance abuse treatment, domestic violence and sexual abuse services, in-home safety and reunification, and System of Care flexible funding.
- Substitute or Out-of-Home Care – Represents a broad range of care, supervision, and treatment services for children in temporary or permanent custody of the state. Family foster care homes and "special rates" foster care are the primary service elements. Residential care is provided by private agencies in residential or therapeutic foster care settings for children who cannot live in a family setting. Providers are reimbursed for a portion of the cost of a child's room and board, clothing, school supplies, and personal incidentals; medical, dental, and mental health services are also provided for children in the state's custody. For older youth, independent living services help with the transition out of the foster care system.
- Adoptions Program – Provides adoption and guardianship services to help achieve permanent living placements for children in the child welfare system who cannot return home, including subsidy payments to help remove financial barriers to adoption or guardianship for special needs children.

Revenue Sources and Relationships
For the 2023-25 biennium, General Fund supports 61% of the budget, which is up from 56.8% in 2021-23. Growth in the General Fund share reflects recent legislative investments in areas without federal match, such as respite services, and a continued decline in the Title IV-E eligibility rate as fewer clients meet the financial needs test for IV-E funding.

Federal Funds cover 36.5% of the budget. The federal government partially reimburses eligible state program costs through Title XIX Medicaid and Title IV-E Foster Care and Adoption Assistance. Medicaid funding is used for case management services, special rates for some children in foster care, residential treatment, and related administrative services. Title IV-E funding is used for child welfare services, adoption assistance, and related administrative costs; this source is estimated to cover about $339 million in agency expenditures for 2023-25. Overall, federal reimbursement for the programs varies with federal match rate changes, the number of children served, and eligibility of the services provided. For 2023-25, the state's base FMAP is estimated at 59.32%; at this rate, which is used for Title IV-E match as well as for Medicaid, Oregon pays 40.68% of allowable program costs for eligible children. Most administrative functions are paid on a 50% state and 50% federal share.

About $14 million in federal dollars is from Title IV-B formula grants, which support basic child welfare services and family preservation and support activities. The latter includes family reunification and post-adoption services. Child Welfare will also transfer about $3 million in Federal Funds to the Department of Early Learning and Care (DELC) to support the Healthy Family Oregon program.

The Title XX Social Services Block Grant (SSBG) is estimated at $36.7 million for the biennium; these flexible dollars are used for field staff and program services. Child Welfare will also transfer about $7.8 million in SSBG federal funds to DELC to support relief nurseries and youth programs. Proposals at the federal level regarding repeal of the SSBG are a risk for program services, as the grant fills gaps in Child Welfare services that are otherwise not funded by Title IV-E or are under-funded by other federal fund sources, such as Title IV-B.

Other Funds comprise 2.5% of the CW budget. Other Funds revenues include Criminal Fine Account funds to support grants for Domestic Violence Services and the Sexual Assault Victims Fund. Domestic Violence Services also receives Other Funds from a surcharge on marriage licenses. The budget also includes child support recoveries and client trust account funds from client resources, such as federal Supplemental Security Income disability payments. These are used to offset state assistance and maintenance costs for children in care.

Budget Environment

In federal fiscal year (FFY) 2022, CW received 87,259 reports of suspected child abuse or neglect; 46,136 of those reports were referred for further investigation. Out of those assessments, 7,455 were founded for abuse and involved 10,711 victims; 1,980 (18.5%) were removed from their homes. The number of victims represent about 1.2% of the estimated 860,778 Oregon children aged 0 to 18 in 2022.

Compared to the prior year, reports of suspected child abuse, or neglect increased 11.1%. This growth represents a return to the pre-COVID trend of increasing reports. The number of reports had previously grown each year from 2013 to 2019, at an average annual rate of 5.7%. Anecdotal evidence suggests the lower number of reports in FFY 2020 and 2021 may be linked to the COVID-19 pandemic, in particular due to school closures. From 2016 to 2022, schools were the source of 20% to 23% of all reports. In 2022, school reports were 22.9%.

Child safety expenditures in this program area are designed to give early intervention and support services to families to help prevent the need for out-of-home placement or to return children home more quickly. However, funding for the services in this budget has not kept pace over time with the continuing growth in reports of abuse and neglect. Other agency or external programs, such as Family Support and Connections in the Self-Sufficiency program area or the Healthy Start and relief nurseries programs in the Department of Education (Early Learning Division), provide complementary services for at-risk families.

The estimated average Child Welfare monthly caseload for 2023-25 is forecasted to be 18,379, or about 2.2% below the average caseload of 18,792 children in 2021-23. Within the projected caseload, 4,724 children, or 25.7% of the caseload, are expected to be in out-of-home placements; these include both foster and residential care settings. In FFY 2022, 7,727 children spent at least one day in some kind of foster care, a 10.4% decrease from the 8,620 children in the prior year. Family foster care is the primary setting. There were 2,770 certified foster family homes in 2022 and over 46.2% of the children placed in family foster care were placed with relatives. The agency reports that 50% of children who left foster care during 2021 were reunited with their families.

Families and other foster care providers receive partial reimbursement for the cost of room and board, clothing, school, and personal items for foster children. Many children in foster care require special services (and special rate payments), based on emotional, behavioral, mental, or physical problems that require increased skills and supports for foster parents and caregivers. Children in foster care also are eligible for physical and mental health services through the Oregon Health Plan, funded in the OHA budget. Other higher cost services may be required in residential treatment or specialized service plans for children whose needs cannot be met in existing service settings. Capacity in residential treatment programs has been constrained by budget and many providers' costs have increased more rapidly than the rates paid by DHS.

The Adoptions Program provides adoption and permanent guardianship options for children in foster care who are unable to safely return to the care of their biological parent(s). During FFY 2022, 575 adoptions were finalized, which is 15.8% lower than the 683 adoptions finalized in 2021; the count of finalized adoptions has not exceeded 1,000 since 2009. A total of 395 children exited foster care and entered into guardianship. Most children go to guardianship with relatives. In almost all cases, adoptive parents or guardians receive assistance payments. These payments help cover a child's needs that the family would have difficulty providing without financial assistance; they are not intended to fully cover the cost of raising a child.

Media coverage, interim reporting, legislative interest, and the Secretary of State audit on foster care continue to highlight concerns about CW programs. While some investments have been made, it is difficult to assess to what extent the agency is making progress on child safety, provider oversight, policy alignment, program performance, system accountability, and culture change.

Another relatively new cost driver is implementation of the federal Family First Prevention Services Act (FFPSA); this federal law was passed in February 2018, but related federal guidance and instructions were not issued until late fall 2018. The Act makes substantial changes to federal financing of child welfare and has significant implications for the structure of Oregon's program.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Child Welfare is $970.3 million General Fund and $1.6 billion total funds. The General Fund budget is $147.7 million, or 18%, higher than the 2021-23 legislatively approved budget, and the total funds budget is $142.1 million, or 9.8%, higher than 2021-23. The 2023-25 position count of 3,594 (3,408.98 FTE) reflects a 5.6% increase. Budget increases are primarily tied to adding new positions to address workload issues and investing in efforts to improve outcomes for children and families. Key increases include:

- $9.7 million General Fund ($13.5 million total funds) to support behavior rehabilitation service rates, including the continuation of a pandemic-related rate increase and the cost of a new rate methodology.
- $16.8 million General Fund ($27.1 million total funds) to increase foster care reimbursement rates an average of $241 per month.
- $6.9 million General Fund ($9.2 million total funds) to support an increase of 202 child safety worker positions (50.50 FTE) with the aim of reducing worker caseloads.
- $3.9 million General Fund ($6.6 million total funds) to pay the Department of Justice for legal services through its new Child Advocacy Program.
- $1.1 million General Fund to support one position (1.00 FTE) and program payments related to an expansion of the Family Treatment Court Programs.

The adopted budget eliminated six positions in Child Welfare that had remained vacant for more than 12 months.

Vocational Rehabilitation

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	33,757,802	36,303,474	40,697,516	39,666,833
Other Funds	5,211,609	8,584,466	10,853,531	10,853,305
Federal Funds	84,181,929	103,496,208	97,395,803	97,172,306
Total Funds	**$123,151,340**	**$148,384,148**	**$148,946,850**	**$147,692,444**
Positions	261	269	269	275
FTE	260.04	265.89	268.04	274.04

Program Description

Vocational Rehabilitation (VR) works with businesses, schools, and community programs to help youths and adults with disabilities other than blindness prepare for and find employment. In federal fiscal year 2023, the program helped a total of 13,008 individuals with disabilities achieve an individualized plan for employment. The following summarizes the key VR programs and services:

- Vocational Rehabilitation "Basic Services" – Provides training, vocational, and educational services to persons with disabilities that are substantial impediments to obtaining or maintaining employment. These services are delivered through field offices and employees out stationed across the state.
- Youth Transition Program – Provides coordinated vocational rehabilitation services to students who are currently in school to ensure a smooth transition to adult services and employment after school completion.

- Supported Employment Services – Provides intensive training, job placement, and job coaching services to individuals with the most significant disabilities who can obtain competitive employment.
- Independent Living Program – Supports the State Independent Living Council and community-based Centers for Independent Living, which help persons with severe disabilities maintain independence at home, in the community, and in employment.

Revenue Sources and Relationships
For the 2023-25 biennium, General Fund supports 26.9% of this budget; Other Funds, 7.3%; and Federal Funds, 65.8%. Section 110 of the Rehabilitation Act of 1973 (Basic 110 Grant) provides federal support for vocational rehabilitative services, which is distributed upon state population and per capita income. The federal grant requires the state to cover 21.3% of the total program cost.

In 2023-25, DHS will receive 84.4% of Oregon's allocation of Section 110 Federal Funds and the Commission for the Blind will receive the remaining 15.6%; this split continues an increase (up from 12.5%) in the percentage going to the Commission that began in the 2017-19 biennium. That change placed the Commission's percentage in line with the national average for states having standalone agencies providing vocational rehabilitation services to people who are blind.

Since this formula grant is essentially capped, the purchasing power of the federal revenue component is decreasing and putting more pressure on state funds in both agencies. However, each agency can apply for federal reallotment dollars and successfully received these funds in the past. Under the federal law, if a state is not able to fully spend its annual vocational rehabilitation funds, then those dollars are made available to other states through a reallotment application process; applicants must have adequate state match to draw funds.

Budget Environment
Almost all clients receiving vocational rehabilitation services have severe disabilities (cognitive, psychosocial, physical, or mental impairments) which require a broad array of services. The severity of the disabilities, and the extent of the services needed to correct or address the disabilities, increase the cost and difficulty of rehabilitation and employment. In addition, even while Oregon's economy has improved, the program continues to face challenges in finding employment for clients due to limited availability of and tight competition for jobs.

VR is not an entitlement program like SNAP or Medicaid long-term care services where funding is tied directly to the number of people eligible. For the past two decades, federal funding for vocational rehabilitation services has been generally flat, with only cost-of-living adjustments. This has not always kept pace with increased costs and demands for services, and state budget resources have not always been able to fill the gap. Periodically, when demand for services exceed capacity and budget, the program has operated under an Order of Selection, which mandates that services be provided first to the most severely disabled individuals. People who cannot be served are put on a wait list. DHS has not had to use the list since July 2010, but the program continues to assign priority levels to individuals. While VR does not currently expect to need a wait list in 2023-25, if one is needed, this action positions the agency for reinstituting a wait list in a manner that minimizes both client and program impacts.

The agency's VR budget has been growing since the 2013-15 biennium primarily due to an increase in level of effort and engagement with IDD clients in the Employment First program. While not directly budgeted within this program, VR works closely with the DHS IDD program on helping these clients find community-based employment rather than participate in sheltered work settings.

The Department is still adapting to program adjustments associated with amendments made to the federal Rehabilitation Act, as part of the July 2014 reauthorization of the Workforce Innovations and Opportunities Act, which may affect state service delivery and budget adequacy. Some provisions of the Act included changes in plan timelines, pre-employment transition services, program performance metrics, employment definitions, subminimum wage, order of selection priorities, and services to employers. It also required shifting from annual to quarterly reporting, which has a workload impact, and ensuring 15% of the federal budget is used to serve youth.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget for Vocational Rehabilitation is $147.7 million total funds, which is a net decrease of $691,704, or 0.5%, from the 2021-23 legislatively approved budget. This decrease is largely driven by current service level adjustments impacting Federal Funds. The program's 2023-25 General Fund budget total $39.7 million, which is a $3.4 million, or 9.3%, increase from 2021-23.

The budget authorized the establishment of five positions (5.00 FTE) to provide training and technical assistance to school districts related to the Youth Transitions Program. DHS had previously contracted for this service; however, the funds previously used to support provider contracts will instead be used to fund the new positions. The budget also includes a one-time General Fund reduction of $735,400 to account for additional vacancy savings based on personal services expenditure trends.

Aging and People with Disabilities

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,092,166,709	1,300,666,548	1,740,473,941	1,697,169,850
Other Funds	296,816,735	400,753,926	288,890,647	345,699,123
Federal Funds	2,511,163,519	3,168,698,993	3,064,592,480	3,123,841,888
Total Funds	**$3,900,146,963**	**$4,870,119,467**	**$5,093,957,068**	**$5,166,710,861**
Positions	1,571	1,876	1,829	1,513
FTE	1,515.29	1,813.41	1,820.55	1,503.19

<u>Program Description</u>
Aging and People with Disabilities (APD) and its partners provide services for seniors and adults with physical disabilities. Historically, APD administered Oregon's Medicaid long-term care program through a federal Home and Community-Based Care (HCBS) waiver under Section 1915(c) of the Social Security Act. Since July 2013, many services now fall under the K Plan, which is a Medicaid state plan option authorized under the Affordable Care Act. Oregon Project Independence provides in-home services outside of the Medicaid program. Federal Older American Act services include abuse prevention, caregiver supports, medication management, nutrition services, senior employment, legal issues, and other support services. The program also includes federally required supports to aged, blind, and disabled persons who receive Supplemental Security Income.

Medicaid long-term care services for the elderly and clients with physical disabilities fall into one of three major delivery categories: in-home programs, community-based settings, and nursing facilities. In-home services are provided by home care workers who are employees of the client, with oversight by the Home Care Commission and by providers working through local Area Agencies on Aging (AAAs). Community-based facilities include adult foster care homes, assisted living, residential care, and enhanced residential care. Providence Elder Place is a jointly funded Medicare and Medicaid Program of All-Inclusive Care for the Elderly (PACE), a program that integrates acute medical care and community-based care under a system of capitated rates, serving people at high risk of needing nursing facility care. The program integrates acute and long-term care services, with seniors in this program generally attending adult day care services while living in a variety of care settings.

Eligibility for Medicaid long-term care is partly based on the ability to perform certain activities of daily living. Applicants for Medicaid long-term care are evaluated on their ability to perform activities of daily living such as eating, toileting, mobility, bathing, and dressing. This evaluation is used to rank the applicant within Service Priority Level (SPL) categories. SPL 1 clients are those most unable to perform activities of daily living and more likely to need services offered in nursing facilities, while those at lower priority levels (higher SPL numbers) are less impaired and more likely to receive in-home assistance. Oregon provides services for clients in categories 1 through 13. Participation can also be tied to income, assets, and eligibility under other programs.

Federal Medicaid law requires states, at a minimum, to provide nursing facility care. Since the 1980s, however, Oregon has operated its long-term care program under a waiver allowing individuals who would otherwise require the level of care furnished in a nursing facility to opt instead for a home and community-based care option. This change shifted the service split between community-based care and nursing facilities. In the 1980s, about half of the caseload resided in nursing facilities; today those cases represent only about 11.3% of the Medicaid long-term care cases. In-home cases represent about 50.3% of the caseload and community-based facility cases represent 38.4%.

Oregon Project Independence (OPI) provides in-home services to about 2,000 Oregonians each month. Under the traditional program, clients must be 60 years of age or older or have Alzheimer's or other related dementia and be assessed as SPL 1 through 18 (a broader range than the levels 1 through 13 served in Medicaid long-term care). Those with incomes over 100% of the federal poverty level pay all or part of the cost of services. With funding initially approved in the 2013-15 biennium as a pilot project, younger individuals may also be served by OPI.

APD is the state administrator of the Older Americans Act (OAA), a federal program for people 60 years of age or older. The state distributes the funds to local AAAs, which deliver a variety of services including information and referral, transportation, congregate meals and "meals on wheels," senior employment programs, legal services, insurance counseling, and family caregiver counseling and training. During 2023-25, APD expects more than 200,000 older Oregonians will receive OAA services. The Oregon Supplemental Income Program (OSIP) provides special needs cash payments for items such as prescription drug copayments, non-medical transportation, or one-time emergency payments for low-income aged and disabled individuals receiving federal Supplemental Security Income (SSI) benefits though the Social Security Administration.

Field services for seniors and people with physical disabilities are delivered through two different structures:

- "Type A" Area Agencies on Aging (AAAs) provide Older Americans Act and Oregon Project Independence services in most counties. Type A AAAs are typically private non-profit agencies. Staff are employees of the AAA. In areas served by Type A AAAs, local APD offices administer Medicaid, cash assistance, and SNAP services.
- "Type B" AAAs are local government bodies, such as counties or councils of governments. "Transfer AAAs" are staffed by local government employees; in "Contract AAAs," services are provided by state employees supervised by the county. Both administer Medicaid, cash assistance, SNAP services, OAA, and OPI programs.

The budget includes funding, but not positions, for staff who work in the Type A AAAs and for Transfer AAAs. While DHS is statutorily required to establish a budget level for Transfer AAAs that is not less than 95% of the cost to run a similarly staffed state office, budget constraints at different times have suppressed that level. Local APD office staff are part of this budget, which include SNAP eligibility staff; however, the SNAP benefit payments are part of the Self-Sufficiency Program budget. The Disability Determination Services program assesses clients' eligibility for Social Security Disability Insurance and SSI programs; staffing for this work is 100% federally funded.

<u>Revenue Sources and Relationships</u>
General Fund makes up 32.8% of the APD budget, which compares to 26.7% in 2021-23. Most of the program's General Fund is used to match federal Title XIX Medicaid and other Federal Funds.

Other Funds revenue is 6.7% of the overall budget. This revenue is primarily available from nursing facility Medicaid provider taxes, clients' contributions towards their care, and estate recoveries. The nursing facility provider tax, described in statute as the Long Term Care Facility Assessment, is used to match federal Medicaid funds for facilities that serve Medicaid clients, allowing for higher levels of nursing facility reimbursement. The provider tax is currently authorized through June 30, 2026; the previous 2020 sunset was extended in HB 4162 (2018).

Federal Funds make up 60.5% of the budget and are predominately Medicaid funds. Federal matching funds for the Medicaid program are determined by the FMAP rate, which is the federal share of eligible program expenditures. The FMAP changes each federal fiscal year and depends on Oregon's per capita income relative to other states. Under the K Plan, the state draws down an additional 6% in Medicaid funds for some APD services.

The FMAP for most Medicaid administrative functions is 50%. Federal OAA funding also supports program services. For the state's funding commitment, the program uses OPI funding as well as local AAA resources to meet the required match and OAA maintenance of effort requirements. APD also receives Federal Funds for SSDI and SSI eligibility determination through Titles II and XVI of the Social Security Act. In addition, a modest amount of federal revenue comes from Medicare and SNAP.

The American Rescue Plan Act provided enhanced federal funding for state Medicaid spending on Home and Community Based Services (HCBS). Beginning April 1, 2021, and through March 31, 2022, states are eligible to receive a 10% increase in their federal medical assistance percentage for specified HCBS. States are required to use state funds equivalent to the amount of the federal funds attributable to the increased FMAP to implement one or more activities to enhance, expand, or strengthen HCBS, including long term services and supports. In the adopted APD budget, the state funds equivalent is estimated to be $107.6 million General Fund. A budget note directed the agency to provide the Legislature periodic updates on the details of the CMS-approved plan and its implementation.

Budget Environment

For several biennia, the APD budget has grown significantly due to mandated caseloads, service cost increases, and program improvements, such as provider rate increases and new program services. DHS's ability to maintain current services is and will continue to be a challenge, with ongoing growth in the number of Oregonians who receive those services and increasing costs to provide quality care on one side, and limited resources on the other.

Over the last three decades, the delivery of services for seniors and people with disabilities has shifted from institutional care to community-based care. In Oregon, long-term care for Medicaid-eligible seniors and people with disabilities has moved from nursing facilities to other settings, including in-home care, adult foster homes, group homes, and residential care and assisted living facilities. Federal waivers have allowed continued use of Federal Funds to support more community-based care at a lower overall cost than institutional care.

Demand for services to seniors and adults with physical disabilities is driven largely by demographics. The number of Oregonians aged 65 or older, the population most likely to require long-term care services, increased by almost 80,000, or 18%, in the decade from 2000 to 2010. From 2000 to 2020, this same population grew by 256,126, or 48%. The Department of Administrative Services' Office of Economic Analysis projects the 65+ age group will grow by 4.8% during the 2023-25 biennium, reaching over 898,000 by July 1, 2025. As of July 2023, APD was serving 34,600 seniors and adults with physical disabilities in its long-term care programs for the elderly and the physically disabled (which include in-home services, community-based care, and nursing facilities). The agency's Spring 2023 caseload forecast projects APD will serve an average of 33,556 clients over the 2023-25 biennium, which is 0.8% (or 270 clients) higher than the 2021-23 biennial average forecast.

Given the demographic projections, the issue of sustainability of the long-term care system has been a recurring topic of discussion. Currently, APD is updating its strategic plan in collaboration with stakeholders to address a variety of challenges, such as how to serve an older population having lower levels of retirement savings and experiencing poorer health than prior generations.

In addition to population growth, provider reimbursement is a major driver in APD costs. Adequate provider reimbursement assures access for clients and allows providers to operate effectively with an appropriate number of skilled workers, while inadequate reimbursement puts access and services at risk. Reimbursement rates are based on a mix of where clients live and the extent of individual client needs. For example, the rates DHS pays nursing facilities for services are set in Oregon statute, which establishes the reimbursement levels at certain percentiles of audited allowable nursing facility costs. Community-based provider rates, such as those for assisted living facilities and residential care facilities, are tiered based upon client impairment. In-home service caregivers and adult foster home rates are now subject to collective bargaining.

With the K Plan and updates to existing waivers, DHS was able to expand person-centered and community-based services for eligible seniors and people with physical and developmental disabilities. The plan also allows Oregon to receive a six percentage point increase in the matching rate the state receives from the federal government. These additional dollars have not been able to offset growth in caseload and cost per case, some of which are associated with the K Plan or other policy changes.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Aging and People with Disabilities is $5.2 billion total funds, which is an increase of $296.6 million, or 6.1%, from the 2021-23 legislatively approved budget. The 2023-25 General Fund budget is $1.7 billion, which is a $396.5 million, or 30.5% increase from 2021-23. This change is primarily due to current service level growth attributed to base salary adjustments, inflation, phase-ins and phase-outs, mandated caseload, and fund shifts. Regarding caseload, while the pace of overall caseload growth is forecasted to slow in 2023-25 compared to recent history, the trend is steadily upward and shifts between lower cost (in-home) and higher cost (nursing facility) caseloads heavily influence the budget.

The adopted budget also makes various investments in the long-term care services system for increased wages, and improved case management. Key investments include:

- Community Based Care (CBC) Provider Rate Increase – Increase of $68.1 million General Fund and $126.5 million Federal Funds to adjust CBC provider rates. This increase will continue one-time rate increases provided in 2021-23, including a 10% wage add-on and a 5% COVID enhancement; and provide a new 5% rate increase effective July 1, 2024, for assisted living facilities, residential care facilities, memory care-endorsed facilities, and in-home agencies. In addition to this increase, the agency is directed to use $37.4 million General Fund and $89 million Federal Funds in the current service level budget for ADP inflation to cover the balance of costs for these provider rate increases.

- Nursing Facility Rate Update – Increase of $40.9 million General Fund and $63.8 million Federal Funds to support increases in the cost of nursing facility care.

- Oregon Project Independence/Family Caregiver Assistance Program – Increase of $2.4 million General Fund and decrease of $6.7 million Federal Funds reflects the following adjustments: 1) a $4.5 million General Fund decrease to the current service level budget associated with delayed implementation of the 1115 waiver, with a corresponding $15.9 million Federal Funds decrease; and 2) an increase of $6.9 million General Fund and $9.1 million Federal Funds to cover Area Agency on Aging (AAA) costs to administer the new waiver program.

- Workload Model Adjustments – Increase of $1.3 million General Fund and $1.3 million Federal Funds to establish eight positions (8.00 FTE) for workload adjustments associated with the spring 2023 caseload forecast. This includes $457,937 General Fund and $457,937 Federal Funds for DHS positions, and $848,587 General Fund and $848,587 Federal Funds for Area Agency on Aging contracted staff.

Intellectual and Developmental Disabilities

	2019-21 Actual	2012-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	934,829,975	1,108,985,954	1,682,004,957	1,819,176,873
Other Funds	41,767,915	29,643,301	27,267,486	26,471,039
Federal Funds	2,216,762,070	3,202,044,449	2,916,889,879	3,159,080,894
Total Funds	**$3,193,359,960**	**$4,340,673,704**	**$4,626,162,322**	**$5,004,728,806**
Positions	917	1,007	945	955
FTE	916.05	990.73	944.17	951.17

Program Description

The Intellectual and Developmental Disability (IDD) program serves more than 31,000 people (9,900 children and 21,400 adults) with intellectual and developmental disabilities throughout their life span. This program's mission is to help individuals be fully engaged in life and, at the same time, address critical health and safety needs. The state, counties, brokerages, providers, families, and self-advocates are all critical parts of Oregon's Developmental Disabilities service system that focuses on individuals with IDD living in the community and having the best quality of life at any age. Oregon no longer has an institutional facility for persons with developmental disabilities and all clients are served in the community. Most of these services are administered under Medicaid waivers.

To receive services, individuals must meet Medicaid financial eligibility requirements and have intellectual or developmental disabilities that impede their ability to function independently. These disabilities include mental retardation, cerebral palsy, Down's syndrome, autism, and other impairments of the brain that occur during childhood. Some program clients also have significant medical or mental health needs. Community Developmental Disability Program (CDDP) offices at the county level determine eligibility for IDD services, assess client needs, determine service rates, arrange, and oversee contracts with providers, and respond to protective services issues. Regional brokerages provide case management and link individuals with services. Local providers deliver support and residential services. The budget covers payments to counties and brokerages for program administration and services. Brokerage enrollment is capped, and when service demand increases, the CDDPs try to cover the gap.

Clients may receive multiple categories of IDD services and/or require services from different categories at different points of their lives. The IDD program provides three general categories of services: support services, comprehensive services, and Stabilization and Crisis Unit services. Support services are for adults and children who live at home and are typically provided by individuals hired by the client, with the help of a personal agent, who gives them the assistance they need to remain in their own homes. Primary support services include home modifications and services to help clients function appropriately within their communities, respite care for primary caregivers such as parents, and non-medical transportation. Support services are provided for children living at home to help prevent out-of-home placements. Regional non-profit brokerages work with clients and their families to arrange appropriate support services.

Comprehensive services assist adults and children who are living at home and receiving 24-hour supports or are living in residential facilities or group homes. Adult residential programs provide 24-hour group home care or supported living services for people aged 18 and over with a developmental disability. Children's residential care includes foster care and community residential group homes. Children's Intensive In-Home Services are provided 24-hours a day for medically fragile children, medically involved children, and children with intensive behavioral disabilities. Clients receiving comprehensive services may also receive diversion services (to prevent a crisis) or transportation, if needed.

The Stabilization and Crisis Unit provides 24-hour community residential care for approximately 104 people who have intensive support needs because of medical or behavioral conditions. State employees operate and work in the group homes serving these clients.

Revenue Sources and Relationships

General Fund makes up 36.3% of the IDD budget. Most of the General Fund is used to match federal Title XIX Medicaid and other Federal Funds. Other Funds revenue is less than 1% of the overall budget. The Other Funds revenue is primarily available from clients' contributions towards their care.

Federal matching funds for the Medicaid program are determined by the FMAP rate, which is the federal share of eligible program expenditures. The program match rate changes each federal fiscal year and depends on Oregon's per capita income relative to other states. For the 2023-25 biennium, the average Medicaid match rate is estimated at 59.32%; at this rate, Oregon will pay 40.68% of eligible program costs. For K Plan services, the state draws an additional 6% in federal match.

Budget Environment

A major budget driver for IDD programs is caseload growth. Based on the spring 2023 forecast, the 2023-25 case management (overall client count) biennial average caseload forecast is 34,908 clients, which is 6.2% higher than the 2021-23 average forecast of 32,877 clients. The budget accounts for this caseload growth and associated cost per case increase.

While the forecast represents the best estimate currently available, it continues to be an area of concern and volatility. Under K Plan changes, access to services for children is virtually unrestricted while lifting caps on support services make programs more attractive to adult clients. Trying to estimate the number of additional clients, particularly children, who may seek services is challenging. Over time, this influx of children will likely age into the adult caseload.

Lawsuits or other legal actions have historically impacted the program, such as the class action settlement agreement for a 2012 lawsuit (*Lane v. Brown*) that alleged Oregon unnecessarily segregated individuals with IDD in sheltered workshops in violation of the rights of these individuals under federal law. In 2013, under executive orders and with funding from the Legislature, the agency committed to phasing out sheltered workshops and replace them with employment services directed toward integrated workplaces. The settlement agreement largely instituted the changes already underway, which include "closing the front door," or ending new entries to sheltered workshops, as well as providing career development plans to people who have worked in workshops, certifying service providers, coordinating more closely with the schools, and increasing services designed to achieve integrated employment.

Historically, the IDD budget has been driven less by demographics and more by state and federal Medicaid policy, and the Staley Settlement Agreement. State policy and budget issues directed the closure of the Fairview Training Center in Salem, and later the Eastern Oregon Training Center in Pendleton, with clients moving from the institutions to community homes. The 1999 Olmstead decision, which said states must provide Medicaid services in the most integrated setting appropriate to the needs and wishes of people with disabilities, further reinforced the shift out of institutions. In 2000, in lieu of a federal class action lawsuit, Oregon entered into the Staley Settlement Agreement, which eliminated waiting lists and phased-in universal access to support services via the brokerage system. Most recently, policy components within the K Plan, such as parental income disregard, continue to influence the budget.

Similar to many other agency programs, IDD relies heavily on partners and providers to meet program and client needs. Rate reductions in recent biennia, along with policy changes, make this relationship especially challenging. While the current budget does include some rate increases, many providers indicate rates are inadequate and make it difficult to run their operations and pay competitive wages. Wages continue to be an issue for discussion, due to differences in wage assumptions DHS makes when pricing rates versus the decisions providers actually make about wages and other costs of doing business.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Intellectual and Developmental Disabilities program is $5 billion total funds, which is an increase of $664.1 million, or 15.3%, from the 2021-23 legislatively approved budget. The General Fund budget totals $1.8 billion, which is an increase of $710.2 million, or 64%, from 2021-23.

Caseload and cost per case changes based on the spring 2023 forecast are funded in the budget and include adjustments (increases) to workload models for the CDDPs and brokerages to help address that growth. The budget reflects continued I/DD caseload growth and budget pressures due to expanded services and costs per case for children and adults, primarily resulting from implementation of the K Plan. Other key increases include:

- $27.5 million General Fund and $79.3 million total funds to continue funding that was available for the temporary COVID-19 related 5% rate increase set to expire at the end of the 2021-23 for adult and child group homes, attendant care, adult supported living, day support activities, and employment services.
- $12.9 million General Fund to support the full implementation of the Healthier Oregon Program. This includes funding for the population enrolled during 2022 (individuals ages 19-26 and 55+) and expansion of services to the remaining age groups starting July 1, 2023.
- $63.2 million General Fund and $41.3 million Federal Funds to allow I/DD to continue to execute the home and community-based services spending plan approved by the U.S. Department of Health and Human Services pursuant the to the American rescue Plan Act.
- $1.4 million General Fund to restore the Family-to-Family Networks program to the 2019-21 funding level, adjusted for inflation. During the 2020 second special session, the Legislature made reductions in anticipation of significant negative impacts of the COVID-19 pandemic on state revenues. The 10 networks provide referral services and peer networking opportunities, potentially mitigating the need for families to access more expensive Medicaid services.
- $2 million General Fund ($4 million total funds) and 19 positions (16.72 FTE) in the Licensure and Quality Improvement Office to meet growing workload demands and ensure Oregon meets federal timelines for licensure visitations and investigations of neglect and abuse.

Oregon Eligibility Partnership

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	--	--	369,110,768
Other Funds	--	--	--	9,236,425
Federal Funds	--	--	--	422,988,461
Total Funds	**--**	**--**	**--**	**$801,335,654**
Positions	--	--	--	2,644
FTE	--	--	--	2,599.38

Program Description

The Oregon Eligibility Partnership (OEP) is a new program and budget structure established in the 2023-25 legislatively adopted budget to consolidate most eligibility staff and functions. The program has primary responsibility for several enterprise information technology solutions, including the ONE eligibility system and Centralized Abuse Management and Provider Time Capture systems. OEP staff are located in DHS district offices throughout the state and respond to customer inquiries about their applications for benefits and determine financial eligibility for medical, food, cash, and childcare benefits. The OEP budget includes the Virtual Eligibility Center; Business Information Services; Service Delivery Supports; Oversight, Quality Assurance, and Central

Coordination; and the OEP Director's Office. OEP aims to streamline the benefit application process and provide timely and accurate eligibility determinations.

Revenue Sources and Relationships
General Fund makes up 46.1% of the OEP budget. Most of the General Fund is used to match federal Title XIX Medicaid and other Federal Funds. Federal matching funds for the Medicaid program are determined by the FMAP, which is the federal share of eligible program expenditures. Other Funds revenue is 1.2% of the overall budget.

Budget Environment
The OEP budget is primarily caseload driven. OEP uses the caseload forecast developed by DHS's Office of Forecasting, Research and Analysis in conjunction with an eligibility workload model to estimate staff resources required for the biennium. State and federal policy changes to human services programs can also affect OEP resource needs. Temporary eligibility policies adopted by the federal government during the COVID-19 pandemic, for example, led to historic growth in Oregon Health Plan enrollments, while also creating a significant backlog of eligibility redeterminations. To address the increased workload resulting from those changes, DHS has hired several hundred eligibility staff. New state programs, such as the Healthier Oregon Program and the Basic Health Plan, can also be major cost drivers. Changes such as these also often require costly modifications to the rules that underpin the ONE system and supporting subsystems, as well as additional staff to serve newly eligible individuals.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Oregon Eligibility Program is $801.3 million total funds, which includes $369.1 million General Fund and supports 2,644 positions (2,599.38 FTE). The budget includes the following investments:

- $30 million General Fund ($51.7 million total funds) and 300 permanent full-time positions (300.00 FTE) to support the eligibility workload, including the backlog of redeterminations.
- $16.2million General Fund ($39.2 million total funds) and 34 positions (26.00 FTE) for ONE system maintenance and operation costs.
- $4.5 million General Fund ($11.3 million total funds) and 55 positions (34.65 FTE) to handle workload related to implementation of the new Medicaid Waiver.

Central Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	95,045,398	236,717,047	113,606,238	71,250,110
Other Funds	38,940,051	48,934,088	49,733,784	21,122,100
Federal Funds	154,292,539	130,996,491	122,115,667	41,881,153
Total Funds	**$288,277,988**	**$416,647,626**	**$285,455,689**	**$134,253,363**
Positions	280	383	379	298
FTE	271.47	372.37	377.37	295.87

Program Description
The Central Services budget captures cross-program and executive-level policy and program work. Central Services is organized into the following offices: Director and Policy; Human Resources; Budget, Planning, and Analysis; Public Affairs; Equity and Multicultural Services; Reporting, Research, Analytics, and Implementation; and Program Integrity. These functions support agency leadership initiatives and guide programs in carrying out the Department's mission.

Revenue Sources and Relationships
The 2023-25 legislatively adopted budget is comprised of 53.1% General Fund, 15.7% Other Funds, and 31.2% Federal Funds. The mix of funds depends on the services provided. Federal funding is subject to a federally approved cost allocation plan that charges programs for the services received and is also constrained by block grant capacity.

Budget Environment
Programs falling under the Central Services budget structure are heavily influenced by agency leadership interest and focus. For example, during the 2019-21 biennium, the Office of Resiliency and Emergency Management (OREM) was established to lead an extensive shelter and feeding operation for individuals and families displaced by the 2020 wildfires. However, to support initiatives such as this, the agency has frequently double filled positions to hire additional staff rather prior to seeking the appropriate legislative approval for funding and position authority.

There is no model or mechanism in place for the agency to "earn" positions in Central Services as agency programs grow in size or complexity. While that growth may be a driving factor in the work carried out by Central Services, determining the appropriate level of staffing is challenging, especially when a portion of the work is assigned directly by agency leadership. This mismatch between budget and how DHS operates is unlikely to be resolved without legislative action, although with the state's new human resources information system (Workday) double fills no longer exist; positions are either budgeted or non-budgeted.

Most of the OREM positions are filled and continue to be non-budgeted. DHS has used money from other parts of the Central Services budget to cover OREM's costs. This will be a challenge for the agency in 2023-25 due to reductions in services and supplies and vacancy savings, as well as the transfer of a significant part of the Central Services budget to the Oregon Eligibility Partnership.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Central Services is $71.3 million total funds and includes 298 positions (295.87 FTE). The budget is $282.4 million, or 67.8%, lower than the 2021-23 legislatively approved budget. This decrease is largely due to the phase-out of one-time costs related to wildfires, Afghan refugee resettlement, and grants to warming and cooling facilities, and transfer of the Office of Business Information Services and the Integrated Eligibility and Medicaid Eligibility Program Office to the Oregon Eligibility Program. The adopted budget also made reductions in services and supplies and vacancy savings totaling $3.5 million General Fund. Other budget adjustments include:

- $4 million General Fund for water delivery to residents with limited access to safe drinking water because of groundwater contamination or other water issues.
- $10 million General Fund and two limited-duration positions (1.50 FTE) to administer grants to Resilience Hubs and Networks in Oregon pursuant to HB 3409 (2023).

Shared Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	152,358,658	178,008,753	189,110,886	185,107,177
Total Funds	**$152,358,658**	**$178,008,753**	**$189,110,886**	**$185,107,177**
Positions	668	730	725	757
FTE	649.12	719.25	720.75	750.00

Program Description
With the transition of some former DHS programs to OHA, a new model was developed to provide administrative functions for the two agencies. Several support activities, including information technology, financial services, budget, human resources, facilities, and procurement were designated as shared services. Some of the functions are housed in OHA and some in DHS, but all shared services units support both agencies. The two agencies developed a joint governance model under which service-level agreements define the relationship between the agency providing the service and the agency receiving the service.

DHS's Shared Services budget includes the Shared Services Administration; Budget Center; Office of Forecasting, Research, and Analysis; Office of Financial Services; Office of Human Resources; Office of Facilities; Office of Imaging and Records Management; Office of Contracts and Procurement; Internal Audit and Consulting Unit; Office of Payment Accuracy and Recovery; and the Office of Adult Abuse Prevention and Investigations.

Revenue Sources and Relationships
Shared Services funding is all Other Funds, based on revenues received from other parts of DHS and from OHA for purchased services, primarily in those agencies' budgets for State Assessments and Enterprise-wide Costs.

Budget Environment
The Shared Services model was implemented to help ensure administrative services for the two agencies are provided cost-effectively without duplication of resources. As a result of this model, however, the Other Funds expenditures for those services are counted twice in the budget; once in Shared Services as work is completed and again in DHS and OHA programs as they pay for those services.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Shared Services totals $185.1 million Other Funds, which is an increase of $7.1 million, or 4%, from the 2021-23 legislatively approved budget. Changes to the budget include increases of $151,864 and two permanent positions (0.75 FTE) to implement and administer a late payment penalty, as required by HB 2468 (2023); $339,279 and two permanent positions (1.50 FTE) to address an increase in child abuse investigations related to SB 790 (2023); and $4.2 million and 23 positions (23.00 FTE) to improve agency compliance with archive requirements and for positions transferred from OEP to manage workload related to eligibility redeterminations.

The budget also accounts for technical adjustments, transfers across budget structures, and standard agency-wide reductions. Statewide adjustments tied to DAS assessments or charges, inflation, travel, and legal expenditures are also captured in the funding plan.

State Assessments and Enterprise-wide Costs

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	282,234,241	364,835,987	399,204,235	392,204,235
Other Funds	12,590,033	52,909,270	54,242,853	54,617,830
Federal Funds	178,735,455	243,679,263	290,161,434	292,606,973
Total Funds	**$473,559,729**	**$661,424,520**	**$744,154,678**	**$739,429,038**

Program Description
The State Assessments and Enterprise-wide Costs (SAEC) budget structure contains assessments and charges paid by all state agencies, which include various Department of Administrative Services' (DAS) assessments and charges, central government service charges, and assessments for State Library services and Secretary of State audits. The budget also reflects expenditures for covering Shared Services' program components in both DHS and OHA, which include position costs supporting those functions. The budget also includes agency-wide and/or

centralized costs, such as rent, utilities, mass transit taxes, unemployment, debt service, and computer replacements. The SAEC budget does not include any positions.

Revenue Sources and Relationships
For the 2023-25 legislatively adopted budget, SAEC revenues are split 53% General Fund, 7.4% Other Funds, and 39.6% Federal Funds. The mix of funding depends on the nature of specific assessments or charges being billed and is regulated by the agency's cost allocation model. Reliance on General Fund is expected to increase as the purchasing power of capped federal funding sources continues to erode. The program budget contains $32.4 million Other Funds expenditure limitation for an interagency line of credit agreement with the Oregon State Treasury to manage cash flow issues through the biennium close-out period. This allows the agency to borrow funds from the state treasury to finance prepayments and account for a lag in receipt of certain revenues, such as provider taxes.

Budget Environment
Assessments supporting third parties, such as DAS, are generally fixed costs over which the agency has no control; these also directly tie to the legislatively adopted budget for the receiving agency. While per unit charges for many services are set by the statewide price list, the agency has some influence over usage and resulting costs. Usage is influenced by agency staffing levels; more employees can drive higher information technology costs or a need for more facility square footage. Assessments based on full-time equivalents are also affected by the number of agency positions. Some expenditures, such as mass transit taxes and performance audit charges, cannot be covered with federal dollars and rely primarily on General Fund.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for State Assessments and Enterprise-wide Costs is $739.4 million total funds, which is an increase of $78 million, or 11.8%, from the 2021-23 legislatively approved budget. The largest components of the SAEC budget are statewide assessments, shared services funding, and debt service. The adopted budget includes an increase of $2.6 General Fund ($4.9 million total funds) and four positions (3.00 FTE) for costs and workload related to mainframe migration. An additional $1.8 million General Fund supports costs associated with new positions in Central Services for records management and in Shared Services to implement bills passed in the 2023 legislative session, including SB 790 related to child abuse investigation, HB 2468 related to certification of child care homes, and HB 2683 related to Employment Related Day Care eligibility.

The budget also includes reductions of $11.8 million General Fund, $71,556 Other Funds, and $2.9 million Federal Funds to reflect several one-time administrative reductions. These include increased vacancy savings in Shared Services; a $5 million General Fund reduction to services and supplies; a reduction to the special payments budget from projected underspending of $0.1 million General Fund ($0.3 million total funds); and a $3 million reduction due to increasing vacancy savings in OHA's Shared Services budget.

LONG TERM CARE OMBUDSMAN

Analyst: Jolivette

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	7,496,334	11,164,278	11,984,814	12,066,961
Other Funds	930,428	1,406,991	903,977	1,509,546
Total Funds	**$8,426,762**	**$12,571,269**	**$12,888,791**	**$13,576,507**
Positions	30	36	36	36
FTE	29.14	35.50	35.50	35.50

Overview

The office of the Long Term Care Ombudsman (LTCO) is a federally-mandated consumer protection program supporting a network of certified volunteers who investigate and resolve complaints for people living in Oregon's nursing facilities, residential care facilities, assisted living facilities, and adult foster homes. The program was established in 1981 within the Governor's Office and became an independent state agency in 1985. The agency's responsibilities have expanded over time. Since 2013, the agency has operated the Residential Facilities Ombudsman (RFO) program which addresses the needs of care facility residents who have a mental illness or a developmental and/or intellectual disability. In 2015, the Legislature passed SB 307 which requires LTCO to also advocate for residents of the independent living section of a Continuing Care Retirement Community.

The agency continues to face program development and caseload challenges in the Oregon Public Guardian (OPG) program, which was established in SB 1553 (2014). The program helps people who do not have a relative or friend able to serve in a fiduciary capacity, lack the financial ability to pay someone to serve as a fiduciary, and are at serious and imminent risk of harm or death without a fiduciary. OPG activities range from making residential and medical decisions to handling financial issues.

An eleven-member Residential Ombudsman and Public Guardian Advisory Board is responsible for monitoring the agency, advising state leadership on programs, and nominating people for the LTCO position as it comes open. This position also functions as the agency head.

Revenue Sources and Relationships

Agency programs rely primarily on General Fund, which pays for 88.9% of expenditures. The remaining 11.1% of the budget is covered by federal Older American Act (OAA) funds and civil penalties assessed on residential facilities and adult foster homes that serve persons with mental illness or intellectual or developmental disabilities. A portion of the OAA funding is specifically for work under the Senior Medicare Patrol program, which is a federal fraud protection effort.

Budget Environment

Demand for ombudsman services is directly related to the number of care facilities and clients falling under the agency's umbrella of services; in 2023-25, potential clients are expected to exceed 53,000 people living in almost 4,500 licensed facilities. Growth in the number of clients served is expected to continue as the population ages; however, the complement of beds by facility type may shift or fluctuate. Annually, the LTCO program handles more than 7,200 requests for assistance from consumers, the public, facility staff, and other agencies. The ability to provide public guardian services is particularly constrained by the budget. In 2021-23, the program is estimated to have met only 10-15% of the statewide need for public guardian and conservator services.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Long Term Care Ombudsman totals $13.6 million, which is a $1 million, or 8%, increase from the 2021-23 legislatively approved budget. This increase is primarily due to standard inflationary adjustments and statewide adjustments in assessments and charges for services, legal rates, and retirement system rates.

Long Term Care Ombudsman

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	5,571,390	7,040,777	7,486,770	7,565,345
Other Funds	929,839	1,400,991	896,917	1,202,917
Total Funds	**$6,501,229**	**$8,441,768**	**$7,740,894**	**$8,768,262**
Positions	24	24	24	24
FTE	23.14	23.50	23.50	23.50

Program Description

The LTCO program was created in 1972 under authorization of the federal Older Americans Act and established as a state agency in 1985. Core services include the investigation and resolution of complaints made by and on behalf of more than 45,000 residents of over 2,100 licensed nursing homes, assisted living and residential care facilities, and adult foster homes. Between 160 and 200 certified volunteers advocate for these clients, monitor facilities, and respond to resident complaints or problems. Of the program's 24 positions (23.50 FTE), 12 professional staff (11.64 FTE) provide technical support and training to the volunteers. LTCO also advocates for system change to promote and protect the rights and interests of long term care facility residents.

The number of certified volunteers providing ombudsman services has historically been constrained by the number of LTCO staff available to support them. Usually, one Deputy Long Term Care Ombudsman position will be responsible for 25 to 35 volunteers, with a typical volunteer covering two-to-five facilities and providing advocacy to an average of 140-plus residents. In fiscal year 2018, volunteers provided 26,122 hours of service on behalf of long term care residents. Over that same time period, the program assisted residents with 4,813 complaints ranging from concerns about food portion size to issues with medication and discharge processes.

The RFO program was created by SB 626 (2013) and is responsible for assisting individuals with intellectual or developmental disabilities or mental health conditions with advocacy related to residential care issues. The program has eight positions (7.50 FTE) to reach an estimated 8,000 residents of over 2,400 residential facilities. The program's remaining four positions (4.00 FTE) are responsible for executive/operational leadership and administrative support across the agency.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for LTCO totals $8.8 million, which is a $326,494, or 3.9%, increase from the 2021-23 legislatively approved budget. This change is primarily due to current service level growth attributed to base salary adjustments, inflation, and program phase-ins and phase-outs.

Oregon Public Guardian

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,924,944	4,123,501	4,498,044	4,501,616
Other Funds	589	6,000	7,060	306,629
Total Funds	**$1,925,533**	**$4,129,501**	**$4,505,104**	**$4,808,245**
Positions	6	12	12	12
FTE	6.00	12.00	12.00	12.00

Program Description

The Oregon Public Guardian program allows the state to serve as a statewide court-appointed guardian and/or conservator, trustee, and payee for incapacitated Oregonians who have no other resources to serve in such capacity. Individuals in need of OPG's services include persons with age-related neurocognitive issues, persons with serious and persistent mental health issues, and persons with intellectual or developmental disabilities who are at imminent risk of harm. Along with providing direct services, the program contracts with local service providers, produces training materials, and works with local programs and organizations to identify less restrictive alternatives to guardianship.

The OPG program was approved in SB 1553 (2014); the funding level authorized was only enough to pay for a very limited program – serving about 60 people – and was not expected to support anywhere near the potential full need for services. In 2012, a report from the Public Guardian and Conservator Task Force estimated that between 1,800 and 3,400 Oregonians needed services. The current program funding level supports a caseload of about 170 clients; 150 of these are served directly by agency deputy guardians and the remainder through current or prospective contracts. With the program at maximum capacity, a waitlist is maintained to move quickly to new cases as current clients exit the program. Most exits are usually due to death, but sometimes a client may legally regain decision-making ability or an alternate guardian for a client is found.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Oregon Public Guardian program totals $4.8 million, which is a $678,744, or 16.4%, increase from the 2021-23 legislatively approved budget. In addition to standard current service level adjustments, the budget includes an increase of $300,000 Other Funds for a grant from Asante Hospital Systems to increase access to public guardian services.

PSYCHIATRIC SECURITY REVIEW BOARD

Analyst: Stayner

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	3,068,294	4,082,379	4,198,733	4,392,585
Total Funds	**3,068,294**	**$4,082,379**	**$4,198,733**	**$4,392,585**
Positions	11	12	12	13
FTE	11.00	12.00	12.00	13.00

Overview

The Psychiatric Security Review Board (PSRB) protects the public by ensuring that people placed under the Board's jurisdiction receive the necessary services and support to reduce the risk of future dangerous behavior. The Board's predominant body of work involves its statutory jurisdiction over adults who are found by a court to be guilty of committing a crime except for insanity (GEI). This work includes overseeing treatment outcomes for GEI clients committed to the Oregon State Hospital; coordinating treatment and case management for clients who are conditionally released to receive services in community settings; revoking conditional release and ordering the return of clients to the State Hospital, if necessary; and discharging clients from the Board's jurisdiction consistent with statutory requirements. In 2007, the Legislature expanded the Board's jurisdiction to include youth who have been found responsible of a crime except for insanity (REI). The Board also conducts hearings for persons barred from possessing a firearm due to a mental health determination, supervises civilly committed individuals deemed extremely dangerous, and conducts sex offender classification and relief hearings for GEI sex offenders.

The Board is comprised of two separate five member panels – one for overseeing adult clients and one for overseeing juvenile clients. Board members are appointed by the Governor and confirmed by the Senate for four-year terms. The Board largely delivers client services by conducting hearings to confirm that PSRB jurisdiction remains appropriate, ensure clients are being safely supervised and treated, and consider client requests for conditional release. Board members do not receive a salary as part of their appointments but are paid a stipend for client hearings. PSRB's 13 state employees support board members' work and constitute the largest expense within the agency's budget.

Revenue Sources and Relationships

PSRB's operations are funded entirely with General Fund. Until 2017-19, the agency supported some staff training activities with a small amount of Other Funds revenue received from a one-time award by the American Psychiatric Association. This award has now been fully expended.

Budget Environment

The PSRB budget includes only the funding necessary to support the Board and monitor the individuals placed under its jurisdiction, most of which reflects salaries and benefits for the agency's 13 staff. Despite the expansion of the Board's responsibilities over the past several years, the PSRB's primary workload remains focused on its jurisdiction over GEI adults. The length of this jurisdiction is typically equal to the maximum period of time an individual would likely have received if found guilty of the crime for which they were accused. After peaking at over 700 in 2008, the total number of GEI adults either on conditional release or in the Oregon State Hospital fell to approximately 600 in 2016 before climbing to 629 at the start of 2023. The treatment system for these clients has also changed significantly during this time with the state's push to serve more individuals with mental illness in the community instead of state-run institutions. Prior to 2008, more GEI adults were treated at the Oregon State Hospital than the number placed on conditional release. This trend has reversed with a significant decline in the GEI population at the State Hospital; nearly 60% of the GEI clients supervised by PSRB are now on conditional release.

PSRB is not primarily responsible for the outcomes of Oregon's behavioral health or criminal justice systems. Most of the resources to provide treatment for its clients are part of the Oregon Health Authority budget for the Oregon State Hospital and community mental health programs. A small number of individuals also receive services through the developmental/intellectual community programs supported in the Department of Human Services budget. The Board's decisions, however, play a role in the operations of the Oregon State Hospital and, in turn, are affected by the availability of behavioral health services in the community to ensure patients can safely transition to lower levels of care. The Board's ability to hear and decide the cases within statutory deadlines is not only important to individual patients but also to ensuring the timely discharge of patients from the State Hospital, which could affect the hospital's available bed capacity. At the same time, Oregon's outpatient behavioral health system has struggled to address the need for services across the continuum of care. The availability of appropriate community placements is an important factor affecting PSRB's ability to transition patients to lower levels of care.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for PSRB totals $4.4 million General Fund and 13 positions (13.00 FTE). The budget represents a 7.6% increase from the 2021-23 legislatively approved budget. The 2023-25 budget budget includes an increase of $118,500 to pay for migrating PSRB's contractual information technology (IT) support service to the Department of Administrative Services (DAS). PSRB switched to DAS IT in August 2022 after its prior IT support vendor went out of business. The investment includes $46,000 in one-time costs related to upgrading PSRB's computers to meet DAS IT's standards and $72,500 to provide IT support to PSRB's staff and board members in 2023-25. DAS IT will provide an enhanced level of service compared to the prior support vendor, including more timely service, the creation of new users, supporting the agency's phones, and improving PSRB's ability to comply with state security requirements. The costs account for $6,360 General Fund already included in the agency's budget for its prior IT contract.

In addition, an increase of $219,679 General Fund was approved for a new permanent, full-time Information Systems Specialist 4 position (1.00 FTE). This position will provide technical support, assist with the installation and operation of standard desktop software, maintain the agency's legacy database and client files, develop long-term planning for system upgrades, and perform other tasks required for PSRB to maintain compliance with statewide IT standards around security and data accessibility.

PUBLIC SAFETY

PROGRAM AREA

DEPARTMENT OF CORRECTIONS

Analyst: Terpening

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,917,054,868	1,069,209,818	2,127,692,664	2,142,301,844
Other Funds	310,789,463	1,131,106,616	44,951,455	168,283,448
Federal Funds	2,871,833	6,000,000	5,171,280	300,000
Total Funds	**$2,230,716,164**	**$2,206,316,434**	**$2,177,815,399**	**$2,310,885,292**
Positions	4,718	4,791	4,760	4,813
FTE	4,690.24	4,691.44	4,702.36	4,749.53

Overview

The Department of Corrections (DOC) has two primary functions: prison operations and responsibility for the state community corrections system. The Department operates 12 correctional institutions – eleven for men and one for women – that incarcerate adult and certain juvenile felons sentenced to prison for more than twelve months by the courts. The adopted budget is based on the April 2023 prison forecast and on other changes made by the Legislature in prior biennia that affected the prison population. The community corrections system is based on SB 1145 (1995) which transferred management of offenders sentenced or sanctioned to prison terms of 12 months or less, and all felony offenders under community supervision, to the counties. Funds are provided to counties for the cost of supervising these offenders.

Budget Environment

Since 2009, Oregon's prison population growth has moderated, leveling off after 2014. The COVID-19 pandemic in 2020 caused a steep drop in the prison population, with the current population level of just over 12,000 inmates last experienced in August of 2003. The prison population decline and clemency releases resulted in the unprecedented decision to close two minimum-security prisons in the 2021-23 biennium. This decision puts the state on a very different trajectory for its prison operations. In the ten years following passage of Ballot Measure 11 in 1994, Oregon's prison population grew by 80%. Between 1998 and 2008 the Department of Corrections built six prisons and expanded one, bringing more than 7,800 additional prison beds online. Prison population forecasts prior to 2013 projected that additional prison capacity would have been required by the beginning of the 2017-19 biennium.

In 2011 and 2012, the Governor established a Commission on Public Safety for "analyzing Oregon's sentencing and corrections data, auditing existing policies, and submitting recommendations that will protect public safety while containing corrections costs and holding offenders accountable." The Commission's work culminated in the passage of HB 3194 in 2013. The measure made changes to felony marijuana offenses, felony driving while suspended or revoked, and the Measure 57 crimes of robbery in the third degree and identity theft. Additionally, the measure increased the transitional leave period from 30 days to 90 days prior to adult in custody discharge and provided for dispositional downward departure for certain Measure 57 crimes where the felon is a repeat offender. Subsequent legislation in 2017 (HB 3078) removed two crimes (identity theft and Theft 1) from Measure 57 sentencing, extended short term transitional leave from 90 to 120 days prior to adult in custody discharge, and modified the Family Sentencing Alternative Program, created in 2015 (HB 3503), to allow for participants who have a previous conviction for a person or sex crime. These two measures are primarily responsible for the prison population leveling off as it did. Absent these changes, the April 2013 prison population forecast projected a total of 16,395 adults in custody by 2023, or 4,091 more than the actual number of incarcerated adults at the April 2023 forecast.

The law changes in HB 3194 were anticipated to result in a reduction of offenders incarcerated in DOC facilities and to increase the amount distributed to the community corrections departments of counties for probation, post-prison supervision, and local control. The reduction in offenders was expected to defer the need for new prison construction for a minimum of five years; as of the April 2023 prison population forecast, the need for new prison capacity falls just outside of the ten-year forecast window, meaning additional bed space is not anticipated to be needed for another ten years. However, the current forecast does have a unit at Deer Ridge opening around May 2024.

Historically, the Department of Corrections has not been funded to operate all available prison beds, and during the 2023-25 biennium it is not anticipated to need all of them. Based on the prison population and the 2023-25 legislatively adopted budget, DOC institutions are taking emergency beds offline that had been used due to the COVID-19 pandemic. DOC has relied on “emergency beds” to meet its capacity needs for many years. These beds are generally additional beds in dormitory-like settings in minimum security facilities or additional beds in what had been single bed cells. In a few cases, a new unit has been added in space originally designed for another purpose.

Department of Corrections Facilities
Budgeted Beds During 2023-25

		Total Budgeted Capacity: 13,667		**E-Beds**	
Facility	**Location**	**Minimum**	**Medium**	**5/10/2023**	**Total**
Columbia River	Portland	553	-	36	589
Deer Ridge Minimum	Madras	-	-	-	-
Deer Ridge Medium	Madras	986	-	-	986
Powder River	Baker City	286	-	30	316
Santiam	Salem	440	-	40	480
Snake River	Ontario	174	2,887	60	3,121
South Fork	Tillamook	204	-	-	204
Two Rivers	Umatilla	128	1,670	-	1,798
Warner Creek	Lakeview	406	-	-	406
Eastern Oregon	Pendleton	-	1,517	-	1,517
Oregon State Correctional	Salem	-	884	52	936
Coffee Creek - Male Intake	Wilsonville	-	432	-	432
Oregon State Penitentiary	Salem	-	1,880	10	1,890
Coffee Creek - Female	Wilsonville	540	680	-	1,220
OSP - Minimum	Salem	-	-	-	-
Totals		**3,717**	**9,950**	**228**	**13,895**

Notes:

- Deer Ridge Medium is operating as a Minimum. It has a total capacity of 1,292. The Deer Ridge Minimum facility is mothballed and has 657 total beds across General Population and Special Purpose.

- OSP-Minimum has a built capacity of 176 beds, and the institution is currently mothballed.

- Unused (inactive) permanent capacity includes: Deer Ridge (229 additional beds at DRCI and 432 beds at DRCM), Eastern Oregon (141 beds), Oregon State Penitentiary (240 beds), and the mothballed Oregon State Penitentiary Minimum (176 beds).

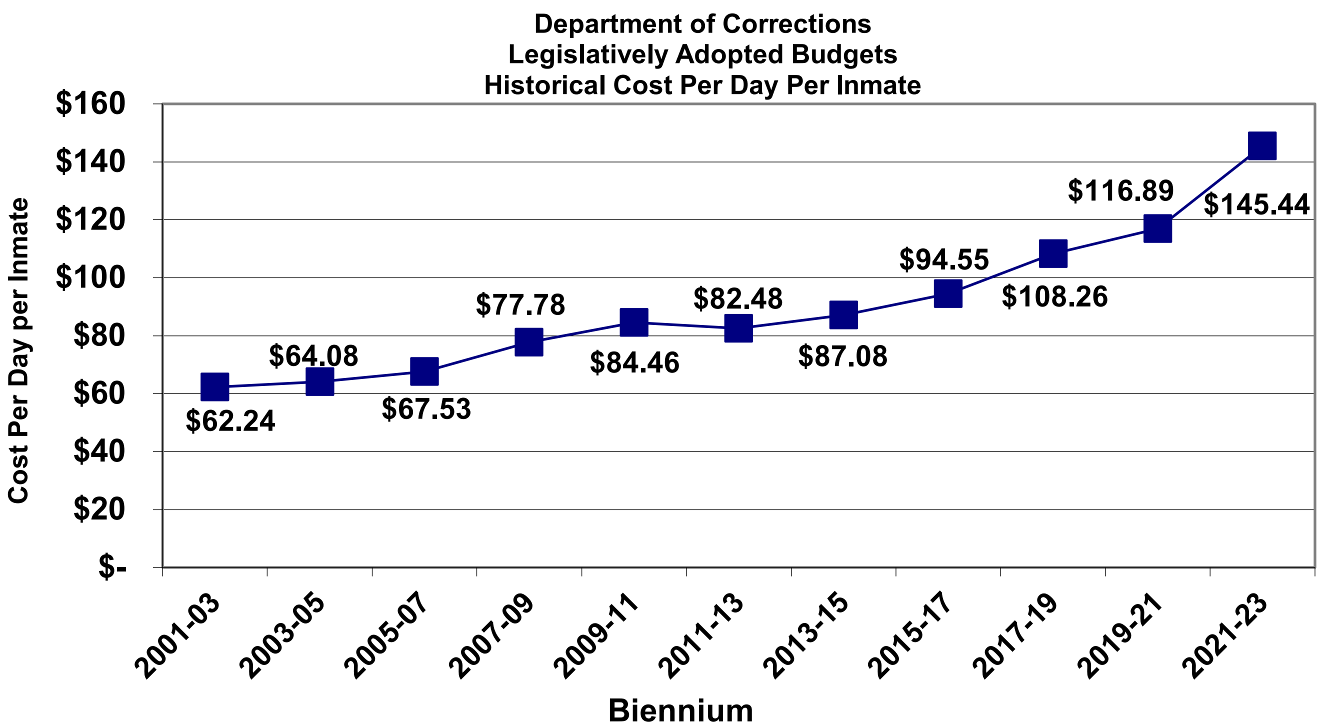
- As of 5/10/2023, 228 emergency beds (E-Beds) are in use.

- There are 1,205 permanent special purpose and 1,314 health care beds distributed in various institutions across the state.

DOC has reached the limit for double occupancy cells in its general population units, and declining population levels may allow the agency to return some general population unit cells to singles. There will continue to be special unit beds where double occupancy cells are not feasible, and single cells exist for those with special needs. All facilities, except the Oregon State Penitentiary, have almost all available cells at double occupancy. Structural load issues prevent the double occupancy use of the remaining single occupancy cells at the Oregon State Penitentiary. Under the current population management plan, which the agency uses to determine what units should be used and when they should open, it is anticipated that emergency beds are likely to be needed only for facility related issues that require temporary placement. Short-term work camp beds may also be added as forest-related work needs arise.

Based on the 2023-25 Current Service budget the estimated prison bed cost per day calculation is $163.38, or a 12.3% increase from the 2021-23 legislatively approved budget cost per day of $145.44. The cost per day varies from institution to institution due to several factors including the age of facility, seniority of staff, size and characteristics of the population, programming at each facility, and the security level. The cost per day is a "snapshot" and will change depending on the number of adults in custody and changes in the budget during the biennium. The cost per day is an outcome of the given budget at the time; it is not an input used to develop a budget. The total costs included in the calculation are $1.51 billion total funds. The main cost driver is housing costs and security, followed by medical services, facility maintenance (referred to as physical plant), institution management, pharmacy, food services, and behavioral health services. Smaller drivers include social services, dental, education, inmate work programs, alcohol and drug treatment, investigations, and other programs and services.

Not included in cost-per-day calculations is the community corrections budget; debt service for the agency's facilities; department-wide costs of administering the agency, including the overall management; state government service charges; financial and personnel staff; and information systems costs. The total cost excluded from the calculation is $563 million total funds. For context, the following display shows average cost per adult in custody per day from 2001-03 to the 2021-23 legislatively approved budget.



Community Corrections caseloads have decreased and are forecast to be relatively flat over the next ten years. Based on the April 2023 corrections population forecast, DOC anticipates the felony probation and parole/post-prison supervision caseload to total 26,019 by the end of the 2023-25 biennium. Ballot Measure 110 (2020), which reduced many "possession of a controlled substance" felony and misdemeanor crimes to violations, had a large effect on the parole, probation, and post-prison supervision forecast, significantly reducing the forecasted number of offenders on supervision. As an example, the April 2019 caseload was projected to be just over 30,000 on 1/1/2021, by April 2021 that number was forecast down to 25,675, and the April 2023 forecast does not have the population reaching 25,000 until 1/1/25. State funding for Community Corrections is based on a per-offender per-day allocation, so this change reduced the total amount of Grant-in-Aid funding to counties by $34.5 million.

Community Corrections services are provided by counties and funded by the state. This Grant-in-Aid is allocated to counties based on a capitated daily rate and on a forecast number of offenders on supervision in each county. To calculate the current service level for Grant-in-Aid, which is budgeted in as Special Payments, past practice has been to only apply the state's standard inflation factor for the Special Payments category. This practice has caused the amount of funding provided by the state to fall short of county requirements, as most Grant-in-Aid funding is spent by counties on personnel expenses for parole and probation officers, the costs of which have risen faster than the special payments inflation allowance. Action taken by the Legislature in 2021 changed the way that the current service level is calculated for Grant-in-Aid. Now current service level is calculated using a weighted average of the inflation applied to personnel expense and the standard inflation applied to services and supplies. This improved inflation factor is intended to match the state funding more closely to actual county expenses incurred to run the program.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for DOC is $2.1 billion General Fund, $2.3 billion total funds, and 4,813 positions (4,749.53 FTE). General Fund has virtually doubled from the 2021-23 legislatively approved budget and total funds have increased 4.7%. The increase in General Fund is because the 2021-23 budget saw the influx of over $954 million in federal relief funds as revenue replacement to provide public safety services during the pandemic. Other Funds of $168 million include $22.9 million in remaining American Rescue Plan Act Coronavirus State Fiscal Recovery Fund (ARPA), and $71.4 million in Article XI-Q bond proceeds for capital projects.

Select operational changes and investments in the DOC budget include:

- A reduction of $13.7 million General Fund to reflect the April 2023 OEA prison population forecast.
- A one-time reduction of $16.4 million from General Fund and increase of $16.4 million Other Funds expenditure limitation for the expenditure of Federal Emergency Management Agency reimbursement monies and proceeds of the Mill Creek Correctional Facility property sale.
- A one-time reduction of $5.5 million General Fund represented by vacancy savings, equivalent to 1.34% across the Department.
- An investment of $20.3 million General Fund to cover the increased inflationary costs for food, fuels and utilities, and clothing and personal supplies for adults in custody.
- $10.6 million General Fund to backfill both the lost federal revenue from the State Criminal Alien Assistance Program and some of the reduction to Community Corrections funding from the April 2023 forecast.
- $8.7 million General Fund and 35 positions (31.67 FTE) to pilot a Substance Use Disorder Program at two institutions and establish two K-9 units to prevent introduction of narcotics.
- $5.9 million General Fund and 9 positions (9.00 FTE) for the ongoing operations and maintenance of the Electronic Health Records system. $11.8 million Other Funds is also included for the extension of limitation provided in 2021-23 from bonds approved for this project.

- $16.9 million Other Funds expenditure limitation (ARPA) for carryover of projects approved in the prior biennium.

Finally, the budget includes various personnel actions that result in the establishment of 18 positions, abolishment of 13 positions, and reclassification of 52 positions across the agency. The Department worked with the Department of Administrative Services and Legislative Fiscal Office on cleaning up positions to align with program operations and work being performed. Agency-wide the personnel actions net to a total increase of $153,670 General Fund and five new positions, totaling 2.50 FTE.

Operations Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	921,044,223	66,221,950	1,025,283,495	1,029,017,903
Other Funds	32,591,915	922,152,850	16,535,834	25,612,602
Federal Funds	--	1,265,024	--	--
Total Funds	**$953,636,138**	**$989,639,824**	**$1,041,819,329**	**$1,054,630,505**
Positions	3,377	3,386	3,366	3,366
FTE	3,369.19	3,315.04	3,331.74	3,331.03

Program Description

The Operations Division is responsible for the security and operation of the 12 existing adult correctional institutions. Functions of this Division include institution operations, security, food service, adult in custody work programs, and transportation.

Revenue Sources and Relationships

Other Funds revenues originate from a variety of sources including services provided by adult in custody work crews, meal tickets, and canteen sales; sale of items produced by adult in custody work and training programs; and Inmate Welfare Fund revenues received from adults in custody or adult in custody-related sources such as canteen profits, vending machines, and copiers.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $1.1 billion total funds is a 6.6% increase from the 2021-23 legislatively approved budget, with 97% of the Division funded by General Fund. The 2021-23 budget included a one-time fund shift from General Fund to Other Funds of $905 million for American Rescue Plan Act (ARPA) Coronavirus State Fiscal Recovery Funds and Coronavirus Relief Funds for maintaining public safety services in the prisons.

Budget changes included:

- A one-time reduction of $10.3 million General Fund and an increase of $10.3 million Other Funds expenditure limitation to allow the Department to offset reimbursements received from the Federal Emergency Management Agency for COVID-19 pandemic-related expenses incurred during the 2019-21 biennium.
- A one-time reduction of $6.1 million General Fund and an increase of $6.1 million Other Funds expenditure limitation to allow the Department to expend remaining ARPA monies.
- The addition of $19.9 million General Fund to cover the increased inflationary costs of food, fuels and utilities, and clothing and personal supplies of adults in custody across the 12 institutions.
- A reduction of $3.7 million General Fund to reflect vacancy savings equivalent to 1.34%.

- A reduction of $1.9 million General Fund was taken to bring operational expenditures into alignment with the April 2023 prison population forecast.

Health Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	315,216,693	318,968,468	409,772,261	418,105,576
Other Funds	399,062	68,347,741	852,732	23,348,043
Federal Funds	2,215,055	4,734,976	5,171,280	300,000
Total Funds	**$317,830,810**	**$392,051,185**	**$415,796,273**	**$441,753,619**
Positions	636	644	640	692
FTE	619.13	624.77	620.08	668.17

Program Description

Adults in custody are constitutionally entitled to health care at the community standard of care. The Department provides medical, dental, behavioral health, and pharmacy services using a managed care model offering a limited benefit package including on-site primary care, controlled access to specialists, and a restricted medication formulary. Dental facilities in twelve prisons provide a full range of dental services, emphasizing emergency treatment and preventive services. Mental and behavioral health programs provide a range of services to address mental illness, developmental disabilities, and co-occurring disorders (mental illness and substance abuse).

Health care is a significant expense for the Department. The Health Services budget includes the employees that provide health services at all the DOC prisons, as well as the cost of services purchased outside of the institutions. The level of service varies significantly by location, with a much more extensive set of services at larger facilities like the Oregon State Penitentiary, the Two Rivers Correctional Institution, or the Coffee Creek Correctional Facility. While most of the health services are provided by DOC employees and contractors inside the prisons, some services are provided by community hospitals and providers. The agency estimates that 98% of the services are provided at a DOC facility, but the cost of the remaining 2% of services, which are provided outside of DOC facilities, can range up to one quarter of the total Health Services unit's spending in any given biennium.

Health care provided in Oregon prisons is primarily a General Fund expense, as incarcerated individuals are not eligible for federal health care programs (Medicaid and Medicare) unless in-patient, longer-term care is provided in a hospital outside of prison. The adult in custody population is aging, and many adults arrive at DOC without having received adequate health care. DOC doctors and nurses provide more than 1,250 patient care contacts each day statewide; the agency operates five on-site infirmaries containing a total of 76 infirmary beds. Behavioral Health Services treatment programs have the capacity to treat 210 men and 102 women in custody at any given time, targeting services to those with severe or persistent mental illness.

A disproportionately large number of adults in custody are infected with Hepatitis C. New drugs have become available that represent significant improvements over previous therapies; newer treatments appear to eliminate the virus in about 95% of those taking the antiviral medications and the risk of side effects is very low. The cost of Hepatitis C medications has dropped considerably, but the number of prescriptions written has increased significantly since 2015, at a cost of about $25 million per biennium.

Finally, the Department has received funding to implement an electronic health records system to replace the thousands of paper files that are currently maintained for all adults in custody. In addition to funds for the non-bondable costs, $13.4 million in Article XI-Q bonds were approved in 2021-23 for this project.

Revenue Sources and Relationships
Other Funds revenue is generated from charges to adults in custody to offset the General Fund cost of non-medically necessary dentures, durable medical equipment, and some vision-related services. In prior biennium, the majority of Federal Funds had come from the federal State Criminal Alien Assistance Program (SCAAP) to offset the General Fund expenses of undocumented felons. However, HB 3265 (2021) eliminated the state's ability to apply for the grant.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $441.8 million total funds is 12.7% greater than the 2021-23 legislatively approved budget and includes 692 positions (668.17 FTE). Significant investments in DOC Health Services for 2023-25 include:

- $7.9 million General Fund and 33 positions (29.67 FTE) to pilot a substance use disorder program at Snake River Correctional Institution and the Oregon State Penitentiary (OSP). The program will provide treatment counseling, case management, and group facilitation throughout an individual's length of stay. Positions include Behavioral Health Specialists along with administrative staff. In addition, two K-9 units, funded in Administrative Services, will operate at OSP and the Oregon State Corrections Institution in Salem to further mitigate narcotics entering facilities.
- $4.9 million General Fund to backfill a loss of revenue from the SCAAP program.
- $5.1 million General Fund and 6 positions (6.00 FTE) for the ongoing costs of operations and maintenance on the new electronic health records system.
- $11.8 million Other Funds expenditure limitation of carryover from the proceeds of Article XI-Q bonds approved in 2021-23 to implement an electronic health records system, with an additional $4.6 million Other Funds expenditure limitation from ARPA funds for the non-bondable costs of the new system.

Additional budget changes include:

- A reduction of $1 million General Fund to reflect vacancy savings equivalent to 1.34%.
- A reduction of $3 million General Fund to bring Health Services expenditures into alignment with the April 2023 prison population forecast.

Community Corrections

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	290,216,723	307,806,263	280,422,773	277,406,303
Other Funds	5,641,452	6,441,863	6,859,278	6,859,278
Total Funds	**$295,858,175**	**$314,248,126**	**$287,282,051**	**$284,265,581**
Positions	76	76	76	76
FTE	76.00	76.00	76.00	76.00

Program Description
This budget provides funding to 34 counties for administering the community corrections program. DOC operates the community corrections programs in Linn and Douglas counties. Under SB 1145 (1995), the community corrections program was restructured to establish state/local partnerships and shift resources and control for community corrections to the counties. The Grant-in-Aid (GIA) is based on the number and risk levels of offenders to be managed. Three groups are funded through this program:

- Felony Probation – Those individuals sentenced for a felony to probationary supervision instead of incarceration in a local or state correctional facility.

- Parole and Post-Prison Supervision – Those individuals that were incarcerated in a state correctional facility, but have been released, and are now supervised in the community corrections system. Individuals who committed their crime prior to November 1989 are placed on parole; post-prison supervision applies to individuals that were sentenced under the sentencing guidelines.
- Local Control – Offenders that are: (1) convicted of a felony and sentenced to a term of incarceration for 12 months or less; (2) revoked from felony community supervision and sentenced to 12 months or less incarceration; or (3) sanctioned to under 30 days for violating the terms of community supervision.

Allocation of Grant-in-Aid (GIA) is based on a capitated daily rate and the forecast number of offenders on supervision in each county. Prior to 2021-23, the inflationary factor applied to GIA did not keep pace with the costs incurred by counties, since most GIA funding is spent by counties on personal services for parole and probation officers. Starting with the 2021-23 legislatively adopted budget, inflation for GIA is calculated using a weighted average between personal services and services and supplies based on the overall average percentage of county community corrections spending in each of those two categories. For 2023-25, the weighted average is 65.8% personal services and 32.2% services and supplies, with a total inflation factor of 7.23%.

Also included in this budget unit is funding for reimbursing counties for the jail costs associated with the pre-trial and post-trial incarceration costs for Ballot Measure 73 (repeat driving under the influence of intoxicants) offenders. However, after a reduction in funding in 2019-21, coupled with the increasing cost-per-day rate for local control that has gone from $114.71 to $175.01 between 2019 and 2023, the current service budget level funding has not been sufficient to reimburse all of county's costs associated with these offenders. The 2023-25 legislatively adopted budget is anticipated to have the same issue, and additional funding will be needed in 2023-25 to reimburse counties for these costs.

Revenue Sources and Relationships

General Fund resources for Grant in Aid to counties are allocated based on a percentage distribution of the felony probation, parole/post-prison supervision, transitional leave, and Local Control populations in each county. Counties also spend varying amounts on their community corrections programs through county general fund, fee revenue, and/or state and federal grants, including grants from the Justice Reinvestment Initiative operated by the Criminal Justice Commission. The primary source of Other Funds revenue in the Community Corrections budget is the Criminal Fine Account ($5.2 million) to support distributions to counties for correction programs, facilities, and alcohol and drug programs.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $284.3 million total funds 9.5% lower than the 2021-23 legislatively approved budget. Significant changes in the Community Corrections budget include:

- A reduction of $8.8 million General Fund to reflect the April 2023 corrections population forecast.
- $5.8 million General Fund to backfill a portion of the caseload adjustment from the April 2023 corrections population forecast. This amount represents the weighted portion of funding associated with personal services costs to mitigate county personnel actions because of the forecasted caseload. Total GIA for the 2023-25 biennium is $252,366,590.

Correctional Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	76,614,612	82,466,022	86,581,203	86,249,733
Other Funds	4,981,523	2,575,511	2,761,625	2,761,625
Federal Funds	414,023	--	--	--
Total Funds	**$82,010,158**	**$85,041,533**	**$89,342,828**	**$89,011,358**
Positions	208	237	237	232
FTE	207.50	232.75	235.66	230.66

Program Description
The Correctional Services Division reduces the risk of future criminal conduct through programing. Programs including workforce development (e.g., education and cognitive/life skills). DOC works to prepare adults in custody to transition back into the community when released, and to reduce recidivism. This Division also administers religious services, sentence computation, adult in custody classification, victim services, and offender records.

This Division offers the Parenting Inside Out program, an evidence-based parenting management skills program specifically designed for criminal justice-involved parents and families. The program is offered in ten institutions and is funded with both grants and with General Fund. In addition, SB 1522 (2022) included requirements for providing online education and skills development learning opportunities at the Coffee Creek and Snake River Correctional facilities.

Revenue Sources and Relationships
Other Funds revenue consists of adult in custody welfare funds to support victims' notification programs, charges for the adult in custody work programs, grant programs, donations from adults in custody to support requested religious activities, and resources transferred in from the Department of Education and the Higher Education Coordinating Commission for education programs.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $89 million total funds is a 4.7% increase from the 2021-23 legislatively approved budget, but less than 1% below the current service budget level. The budget includes only minor adjustments to reflect vacancy savings, and personnel actions to shift positions.

Central Administration and Administrative Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	201,239,703	194,636,702	220,932,403	224,141,818
Other Funds	6,732,689	57,274,575	17,941,986	37,117,725
Total Funds	**$207,972,392**	**$251,911,277**	**$238,874,389**	**$261,259,543**
Positions	421	448	441	447
FTE	418.42	442.88	438.88	443.67

Program Description
This section includes two organizational units within the Department of Corrections:

- Central Administration, which includes the Director's Office, Chief Financial Office, Office of Government Efficiencies, Internal Audits, Office of the Inspector General, and the Communications Office. All state government service charges are budgeted in this unit.
- Administrative Services, which includes agency wide support programs including Human Resources (labor management, recruitment, employee development, training, employee safety, and risk management); Information Technology Services (IT operations and user support, application development, and system maintenance); Distribution Services, which provides goods and services to operate facilities across the state including food and canteen supplies; and Facilities Services (repair and maintenance program, management of leased facilities, and energy conservation).

Revenue Sources and Relationships
Other Funds revenues are primarily generated through commissary sales; miscellaneous sales, rentals, and surplus equipment; as well as debt financed cost of bond issuance.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $261.3 million total funds represents a 3.7% increase from the 2021-23 legislatively approved budget. Budget adjustments included:

- A one-time reduction of $6.1 million from General Fund and increase of $6.1 million Other Funds for the expenditure of proceeds from the sale of the Mill Creek Correctional Facility property.
- $3 million General Fund on a one-time basis to support the Department of Justice's litigation of habeas corpus cases filed by adults in custody against the Department during the COVID-19 pandemic.
- $838,709 General Fund and three positions (3.00 FTE) to provide internal IT support for the electronic health records system.
- $794,456 General Fund and two positions (2.00 FTE) for two K-9 units to operate out of the Oregon State Penitentiary and the Oregon State Correctional Institution to mitigate narcotics entering facilities. This is in conjunction with increased substance use disorder treatment funding in Health Services to reduce the impact of narcotics in correctional institutions.
- $12.3 million Other Funds expenditure limitation for the carry forward of ARPA funds on a one-time basis to complete the AIC computing platform and purchase of a distribution vehicle.

Debt Service

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	112,417,939	96,052,544	101,514,230	104,194,212
Other Funds	213,332,754	805,870	--	1,184,175
Federal Funds	242,755	--	--	--
Total Funds	**$325,993,448**	**$96,858,414**	**$101,514,230**	**$105,378,387**

Program Description
Debt service is the obligation to repay the principal and interest on certificates of participation (COPs) and Article XI-Q bonds issued to finance the costs of construction and improvement of correctional facilities. Beginning with the construction of the Snake River Correctional Facility in Ontario in the early 1990s, DOC had used COPs to finance the major expansion of the prison system. The proceeds from COPs were also used for the construction of local jail capacity related to the SB 1145 population; purchase of property, design costs, siting costs, major improvements or upgrades of existing facilities; and the staff costs associated with the construction and

improvement of facilities. From the 2013-15 biennium forward, all debt financing has consisted of Article XI-Q bonds.

Revenue Sources and Relationships
General Fund supports most Department debt service obligations. Other Funds are unused balances in various capital financing accounts that are used to offset General Fund debt service.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for debt service of $105.4 million total funds is an 8.8% increase from the 2021-23 legislatively approved budget. Newly authorized capital construction bonds will be issued throughout the biennium, with $3.9 million additional debt expenditure anticipated to be incurred in the 2023-25 biennium. Debt service is 4.6% of the Department’s 2021-23 total funds budget.

Capital Construction and Capital Improvement

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	304,975	3,057,869	3,186,299	3,186,299
Other Funds	47,110,068	73,508,206	--	71,400,000
Total Funds	**$47,415,043**	**$76,566,075**	**$3,186,299**	**$74,586,299**

Program Description
The Capital Construction budget provides new expenditure authority for acquisition or construction of structures that cost $1 million or more. Typically, this is funded through debt financing from bond sales, and the corresponding Other Fund expenditure limitation for each construction project is in effect for six years. The agency inventory of capital improvement and renewal projects is currently estimated to cost more than $260 million.

The Capital Improvement budget, supported solely by General Fund, captures maintenance and asset protection expenditures for the agency’s 12 institutions and approximately 5.4 million square feet of building space. Qualified projects must be less than $1 million. If a project’s cost exceeds $1 million, they are categorized as capital construction.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $3.1 million General Fund is at the current service level budget, which is 4.2% higher than the 2021-23 legislatively approved budget due to standard statewide increases for this capital improvement program.

The Legislature approved $71.4 million in Other Funds capital construction expenditure limitation for the expenditure of proceeds from Article XI-Q bond sales, to continue addressing deferred maintenance and capital construction requirements ($50 million), to update its wireless communication system infrastructure ($12.9 million), and update camera systems ($8.5 million). Bonds will be issued throughout the biennium, requiring new debt service of $3.9 million General Fund in the 2023-25 biennium.

CRIMINAL JUSTICE COMMISSION

Analyst: Terpening

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	76,462,411	126,488,341	50,409,495	98,364,803
Lottery Funds	515,065	578,865	603,177	603,177
Other Funds	9,572,951	47,413,825	13,387,276	30,616,268
Federal Funds	9,233,567	6,590,056	9,317,235	13,299,955
Total Funds	**$95,783,994**	**$181,071,087**	**$73,717,183**	**$142,884,203**
Positions	23	27	25	30
FTE	21.51	24.77	24.50	29.25

Overview

The Criminal Justice Commission (CJC) administers Oregon's felony sentencing guidelines; analyzes crime trends and sentencing policy data; estimates the fiscal and racial/ethnic impact of statewide public safety legislation and initiatives; administers the competitive specialty court grant program; staffs the Asset Forfeiture Oversight Committee and Public Safety Task Force; and guides the implementation of Oregon's Justice Reinvestment Initiative.

The Legislature has expanded the agency's responsibilities in recent biennia. In 2017, HB 2355 added the Statistical Transparency of Policing (STOP) program and expanded the Justice Reinvestment Grant program by adding funding specifically for downward departure prison diversion programs provided by counties. In 2018, SB 1544 created the Illegal Marijuana Market Enforcement Grant (IMMEGP) program to support local law enforcement agencies in their efforts to address the illegal marijuana market in Oregon. In 2019, legislation on bias crimes (SB 577) added responsibility for analyzing bias incident data to the CJC's portfolio, and SB 973 created the Improving People's Access to Community-based Treatments, Supports, and Services (IMPACTS) program, which provides grants to tribal and local governments to support individuals with both mental health or substance abuse disorders and involvement in the criminal justice system. In 2021, the Legislature created the Innovative Grant Program (HB 2049) and the Restorative Justice grant program, and in 2022, SB 1510 established the Justice Reinvestment Equity Program (JREP) to provide subgrants to culturally specific organizations and culturally responsive service providers for the purpose of promoting racial equity, reducing racial disparities, reducing recidivism, and decreasing a county's utilization of imprisonment.

Revenue Sources and Relationships

General Fund is the CJC's primary revenue source and funding for the commission's grant programs, which have grown significantly with the passage of sentencing reform legislation in 2013 (HB 3194) along with subsequent legislation. The 2023-25 budget is 69% General Fund, 21% Other Funds, and 9% Federal Funds. A small amount of Measure 96 (veterans' services) Lottery Funds were added in lieu of General Fund in 2019-21 to support three veterans' courts in the Specialty Courts grant program. Other Funds revenue is derived from civil and criminal forfeiture proceeds and from grants. The Federal Funds in the budget are mostly provided by grants from the federal Edward Byrne Memorial Justice Assistance Grant program.

Budget Environment

Generally, funding for the Commission's various grant-making programs makeup about 94% of the budget with the Justice Reinvestment Initiative (JRI) and the JRI supplemental grant program accounting for 45% of the budget. The JRI Grant Program, passed in 2013 (HB 3194), is Oregon's approach to controlling prison growth and investing in the state's local criminal justice systems to reduce recidivism and increase public safety and offender accountability. Much of these funds distributed to counties are used to fund local government employees or contractual positions serving community corrections and treatment providers around the state. The agency maintains an interactive website dashboard where state and local data is displayed for specific crimes: changes by county year-over-year in the number of prison intakes, including revocations; length of stay in months; total prison months; and short-term transitional leave increases. HB 3078 (2017) further modified public safety programs and sentences for crimes and has demonstrably reduced the use of prison beds in the four years after its passage. The JRI program had a statutory sunset date of July 1, 2024, and so the 2023-25 current service level budget in the table above reflects only one year of funding for the program. However, the Legislature passed SB 344 which extended the programs sunset until July 1, 2033.

As noted in the overview section, the number of grant and/or research programs operated by the agency has steadily grown since 2013's establishment of the JRI program. However, many of these programs have operated through one-time funding provided by the Legislature, which must then decide on continuing program funding in subsequent biennia. Due to the one-time funding and JRI sunset, the Commission's 2023-25 current service level budget is 59.3% below the 2021-23 legislatively approved budget.

The Statistical Transparency of Policing (STOP) program was created in 2017 (HB 2355), with supplemental resources added to CJC's budget in both 2019-21 and 2021-23 and is included as part of the Commission's ongoing budget. The 2019-21 biennium saw the creation of the Improving People's Access to Community-based Treatment, Supports, and Services (IMPACTS) program, which received one-time funding of $10 million General Fund in 2019-21 and 2021-23. The Illegal Marijuana Market Enforcement Grant Program (IMMEGP), established in 2018, has base-level funding of $6 million through a deposit of marijuana tax revenue from the Department of Revenue, but also received supplemental one-time General Fund investments in 2021-23 totaling $26 million through SB 5561 (2021 second special session) and HB 4074 (2022).

In recent biennia, two programs were created at Coffee Creek Correctional Facility, a legal services pilot program created by HB 2631 (2019), and the Family Preservation Project operated by YWCA of Greater Portland, with both programs receiving one-time funding in 2019-21 and 2021-23. In 2021, the Innovative Grant Program was established through HB 2049 with $1 million of one-time General Fund to fund new statewide programs that demonstrate a strong potential to have a positive impact on public safety; and the Restorative Justice grant program was funded with $4 million of one-time General Fund to develop new restorative justice services and to strengthen existing non-profit organizations that are leaders in restorative justice practices.

Finally, SB 1510 (2022) included a one-time General Fund investment of $10 million for distribution to the Northwest Health Foundation II to fund a newly established Justice Reinvestment Equity Program (JREP). This program is intended to provide subgrants to culturally specific organizations and culturally responsive service providers for the purpose of promoting racial equity, reducing racial disparities, reducing recidivism, and decreasing a county's utilization of imprisonment. While the initial funding was one-time, the program is expected to be operational over several biennia and three permanent full-time positions were included to compile and evaluate data and serve as the JREP Coordinator.

The remainder of the CJC budget, that is not grant-based, includes $6.9 million total funds and 13 positions (13.00 FTE), which supports the Statistical Analysis Center, planning and policy development, and oversight of asset forfeiture and sentencing guidelines. Recent legislation requiring analysis and reporting includes HB 2355 (2017), requiring annual reporting on traffic and pedestrian stops statewide; SB 577 (2019), requiring annual reporting on bias crimes; and HB 2932 (2021), requiring annual reporting on use-of-force data reported by Oregon law enforcement units to the National Use of Force Data Collection maintained by the Federal Bureau of Investigation.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget of $142.9 million total funds represents a 21.1% decrease from the 2021-23 legislatively approved budget. This reflects the phase-out of one-time funding provided in 2021-23 that has not continued in 2023-25, including the Justice Reinvestment Equity Program, Restorative Justice Grant,

Innovative Grant Fund, additional IMMEGP funding, and the legal services program. The overall decrease includes $28.1 million, or 22.2%, General Fund, and $16.8 million, or 35.4%, Other Funds.

It should be noted that the Other Funds decrease is largely attributable to how programs are funded with one-time funds. For example, most of these programs have an established dedicated fund into which the General Fund appropriation is deposited. Expenditures out of that fund are recorded as Other Funds when spent, which requires corresponding Other Funds expenditure limitation. This essentially double counts the total legislative budget for a program by including both the General Fund deposit and Other Fund expenditure totals.

The 2023-25 legislatively adopted budget included the following General Fund increases:

- $27 million to continue the Justice Reinvestment Initiative grant program at the current service level funding into the second year of the 2023-25 biennium. This is possible through the passage of SB 344, which extended the programs sunset date until July 1, 2033. Also included is 0.50 FTE to continue the position associated with JRI reporting.
- $10 million on a one-time basis to recapitalize the Improving People's Access to Community-based Treatment, Supports, and Services grant account.
- $5 million of one-time funding to increase the grants available to local governments through the Illegal Marijuana Market Enforcement Grant program.
- $5 million of one-time funding for the Organized Retail Theft Grant Program established by SB 900 to assist cities, counties, community-based organizations, and the Oregon State Police with costs incurred in addressing and prosecuting organized retail theft.
- $650,000 on a one-time basis for the continuation of the Family Preservation Project operating at the Coffee Creek Correctional Facility. The Criminal Justice Commission will administer payments for this program, which is provided by the YWCA of Greater Portland.
- $397,532 to fund two limited duration positions to support the Juvenile Justice Policy Commission, established by HB 2320, directed to evaluate the juvenile justice system at state and local levels.

Other Funds expenditure limitation changes include:

- $10 million to provide expenditure limitation for grant-making and research and evaluation from the Improving People's Access to Community-based Treatment, Supports, and Services grant account.
- $5 million to recapitalize the Illegal Marijuana Market Enforcement Grant Fund.
- $2.5 million for certain programs due to additional revenue received or delayed program implementation. This includes remaining one-time monies for IMPACTS ($210,617), IMMEGP ($635,736), and the Innovative Grant Program ($999,802) as well additional revenue received for the asset forfeiture program ($167,831) and STOP ($241,954).

The CJC's Federal Funds budget, totaling $13.3 million, has more than doubled from 2021-23 legislatively approved levels. This is the result of federal grant awards that have been received by the agency after seeking approval to apply from the Emergency Board. Federal Funds are increased for the State Crisis Intervention Program ($3,127,544), Justice Counts ($688,028) and the Prison Rape Elimination Act Standards ($174,741) grants.

DISTRICT ATTORNEYS

Analyst: Borden

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	$13,843,569	$15,385,109	$15,565,287	$16,511,672
Total Funds	**$13,843,569**	**$15,385,109**	**$15,565,287**	**$16,511,672**
Positions	36	36	36	36
FTE	36.00	36.00	36.00	36.00

Overview

A District Attorney ("prosecuting attorney" or DA) is the county chief law enforcement officer. There are 36 DAs, one for each county, who are independently elected to four-year terms. DAs and their deputies prosecute state criminal offenses committed by juveniles and adults at the trial-level.

In addition to criminal prosecution, DA legal duties may include enforcement of child support obligations in non-welfare cases, prosecuting civil forfeitures, presenting evidence at mental health civil commitment hearings, ruling on public records requests, representing interests in child dependency cases, assisting juvenile courts, and (in a limited number of counties) advising and representing county officers as county counsel in civil matters. DAs and their deputies are also active in local public safety coordinating councils, child abuse prevention teams, and community outreach activities. The DA may provide legal advice to the county ("Justice") court and other county officers. In cities with a population of more than 300,000, the DA is responsible for the prosecution of all city ordinance violations.

The state agency "District Attorneys" provides funding for the compensation of the 36 DA positions, their tort liability insurance, other standard state agency costs, and costs related to grand jury recordation. DAs are classified as state management service employees and, by statute, the state is responsible for providing their salaries and other payroll expenses. Other than the 36 DA positions, the agency is unstaffed. While the directive to compensate DAs resides in statute, the Department of Administrative Services (DAS) has administratively established a two-tier annual compensation plan for DAs comprised of a single step pay range for each tier. DAs in counties with populations exceeding 100,000, of which there are ten, are in Tier 1 and receive higher compensation. Tier 2 is comprised of the remaining 26 counties and receive a lower level of compensation. DAs are eligible for cost-of-living allowances (COLA) and selective salary increases granted other state agency management service employees, as determined by DAS. The following table summarizes state-funded DA compensation under the current compensation plan:

Compensation Tier	District Attorneys	Monthly DA State Compensation*	Annual DA State Compensation*	Biennial DA State Compensation*
Tier-1	10	$17,825	$213,893	$427,786
Tier-2	26	$15,432	$185,178	$370,355

**Amounts include Other Payroll expenses, but exclude a one-time $1,500 COLA, a 6.5% COLA effective December 1, 2023, and a 6.55% COLA effective January 1, 2025.*

Apart from the state's compensation plan, approximately 24 counties have elected to provide supplemental compensation in addition to the state paid compensation for their elected DA, with the remaining counties providing no supplement. No current estimate exists for annual supplemental compensation; however, past estimates ranged from $6,000 to $55,238 per year.

The Oregon District Attorneys Association (ODAA), a 501c(6) non-profit Oregon corporation, pays for a full-time executive director who effectively serves as the administrator of the agency with the support of the Department of Justice (DOJ) that provides in-kind budgetary and accounting assistance to the agency. ODAA also provides legislative advocacy for district attorneys and their deputies as well as legal education.

Funding for local DA offices is hybrid through a combination of state and local funding. Counties are responsible for funding deputy district attorney (DDA) positions, investigators, and other staff, as well as related services and supplies. A DA office can range from the elected DA as the only prosecutor to an office with 75 or more DDAs. Counties are also responsible for providing DA office space, which is typically in county courthouse buildings. In addition, counties fund prosecutorial expenses related to grand jury proceedings such as expert and other witness fees. The state budget has not contributed to the cost of the DDAs since 2007-09, nor to witness fees for trials nor grand jury hearings in criminal proceedings since 1999-2001, except for grand jury recordation, which is funded with a state General Fund appropriation. The 2023 legislature enacted HB 2054 which expanded the eligibly of the police and firefighter benefit under the Public Employees Retirement System to include DDAs.

The state, primarily through DOJ, provides support of the local prosecutorial function, including: (a) trial-level prosecutorial support and training; (b) staff to fill vacated DA positions until the position can be filled permanently; (c) victim advocate offices and victim assistance; (d) defense of criminal convictions at both the trial and appellate-level; (e) Justice Reinvestment Initiatives; (f) reimbursement of discovery costs for indigent defendants; (g) child abuse investigations, medical assessments, and training; and (h) competitive and non-competitive state and federal grants for crime victim assistance. Outside of the DA budget, and as part of the DOJ budget, a General funded position supports DA training and conference planning.

Other state support includes funding for child support enforcement from DOJ. While DOJ is responsible for managing a statewide child support program, the program enters in a cooperative agreement with 19 DA offices to deliver services for some of the county's caseload, namely for participants who are not currently receiving public assistance or who formerly received assistance. Of note is that, even in cooperative agreement counties, DOJ manages the caseloads related to public assistance. For the remaining 17 counties, DOJ provides all child support services. By statute, DOJ also provides funding for a DA liaison position for the Oregon Child Support Program.

In 2022, pursuant to a legislative budget note, the DAs completed a comprehensive report on the revenue sources funding DA offices. The report concluded that statewide, the estimated resources necessary to fund and operate DA offices, on a fiscal year basis, totals an estimated $184.8 million in state, local, and federal funding (FY 2022). Of this amount, the counties' contribution is estimated to be $140 million (75.8%), the state contribution is estimated to be $23.4 million (12.7%), and the federal government contribution, both direct and indirect, is estimated to be $21.4 million (11.6%). The report noted that historically the state's share was estimated to be 19% in 1975 and 9% in 2000.

Revenue Sources and Relationships

The state agency "District Attorneys" is funded with state General Fund through an appropriation to the Department of Justice.

Budget Environment

There are several measures of workload for DAs and their offices including number of arrests for person, property, and behavior crimes, or the number of filings where a felony was the most serious charge. While these are indicators of DA workload, they do not capture all potential workload. When reported crimes and arrests are higher or when there are fewer resources, DA offices must take a variety of actions to meet the increased demand, including: (a) prioritizing cases; (b) relying on plea bargaining negotiations and alternative dispositions (deferred sentencing and reduction of certain felonies and misdemeanors to violations) to efficiently manage caseloads and just outcomes; and (c) limiting, or prioritizing the amount of time spent in preparation and prosecution of each case. There is no centralized DA case management system making any statewide caseload reporting unavailable.

DA offices have been impacted by the recent Oregon Supreme Court ruling in Watkins v. Ackley that held that the requirement of unanimous jury verdicts in serious criminal cases applies to older criminal cases as well as those still on appeal. The ruling applies to cases where a criminal conviction was final and the appeals, if any, were over before the U.S. Supreme Court ruling decision that was issued in April 2020. Hundreds of convictions are involved and may end up going back to circuit courts for new trials, at the prosecutorial discretion of the DA. SB 321 places in statute a two-year statute of limitation for nonunanimous jury verdict felony convictions and provides an evidentiary criterion for petitioners in a post-conviction relief case and upon retrial. This ruling will have an ancillary impact on the support DAs received from DOJ (e.g., defense of criminal convictions).

Another issue faced by DA offices is the decriminalization of the possession of a controlled substance under Ballot Measure 110 (2020) and the public defense crisis. Some DA offices are facing similar challenges to public defense providers, including difficulty in attracting and retaining attorneys and staff.

The DA budget has historically required supplemental funding to complete the biennium, as funding has been needed to reconcile actual Other Payroll Expenses (i.e., flexible health benefits) of each district attorney with the approved budget. Recent past adjustments have been $417,976 (2021), $350,000 (2019), $170,000 (2017), and $92,000 (2015).

<u>Legislatively Adopted Budget</u>
The legislatively adopted budget for District Attorneys is $16.5 million General Fund and 36 positions (36.00 FTE) for the 2023-25 biennium. The budget is $1.1 million (or 7.3%) more than the 2021-23 legislatively approved budget. Major budget adjustments include:

- $550,000 General Fund in one-time funding for the reconciliation of personal service costs; and
- $280,000 General Fund for grand jury recordation, which, due to the stabilization of costs, was approved as ongoing funding.

The Legislature also established a special purpose appropriation in the Emergency Board in the amount of $1 million for District Attorneys that can be used for the expenses of nonunanimous jury convictions, including victim assistance.

DEPARTMENT OF EMERGENCY MANAGEMENT

Analyst: Terpening

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	41,792,858	21,926,529	30,882,017
Other Funds	--	104,791,705	159,240,214	180,856,405
Federal Funds	--	879,846,121	1,048,446,505	1,052,531,927
Total Funds	**--**	**$1,026,430,684**	**$1,229,613,248**	**$1,264,270,349**
Positions	--	94	94	141
FTE	--	47.01	94.00	132.40

Overview
The Oregon Department of Emergency Management (ODEM) was established as a new state agency through HB 2927 (2021) effective July 1, 2022. Formerly the Office of Emergency Management housed within the Oregon Military Department, ODEM coordinates statewide emergency services and maintains emergency communications systems used for public warnings, emergency notifications, and emergency support. ODEM also provides cities, counties, and tribes throughout Oregon with planning, training, exercise, and technical assistance for disaster preparedness, emergency response, recovery services, and hazard mitigation.

In addition to an Administrative function that includes the Director's Office and the state Search and Rescue coordination program, the agency's primary programs are:

- Emergency Preparedness and Response -- executing planning, training, and exercise programs to raise awareness and preparedness for all hazard incidents. This includes the Homeland Security grant programs, Emergency Operations Plans, the Geological Hazard Program, the National Incident Management System, and the State Emergency Coordination Center.
- 9-1-1 Emergency Program -- includes operation and management of the network that delivers 9-1-1 emergency calls to Oregon's 43 Public Safety Answering Points throughout the state.
- Mitigation and Recovery Program -- coordinating the development, planning, and adoption of local community hazard mitigation plans, flood mitigation and fire assistance grant programs, pre-disaster grant program, and disaster recovery payments.
- Debt Service -- General Fund debt service for general obligation bonds issued for the State Preparedness and Incident Response Equipment (SPIRE) grant program.

Revenue Sources and Relationships
The Department's major funding source is Federal Funds received for state homeland security, Federal Emergency Management Agency (FEMA) disaster recovery, and Non-Disaster Emergency Management Performance Grants. These funding sources are used for general ODEM operations, development and administration of the emergency response infrastructure, training, and grants passed through to local governments for emergency management programs. Some of the funds require a 50% state or local match.

Federal Funds expenditure limitation for FEMA disaster recovery funding has greatly increased the Department's budget in recent biennium due to the number of federal disaster declarations made in 2020 and 2021, including the COVID-19 pandemic, the Labor Day and other 2020 wildfires, the flooding and landslides disaster in February 2020, and the February 2021 ice storm. Ongoing work around these declarations is expected to continue for a decade.

Oregon's 9-1-1 toll-free emergency number to access safety services is a state and local partnership. The state's portion is funded through an emergency communications tax, a per-month tax for any phone line capable of accessing 9-1-1 services, excepting federal, state, and local governments. HB 2449 (2019) increased the emergency communications tax to $1.00 per month on January 1, 2020, and to $1.25 per month (or transaction, as appropriate) on January 1, 2021. The bill also extended the tax sunset date from 2022 to 2030 and adjusted the administrative and collection cost caps.

The Emergency Communications Account is distributed quarterly according to statute for program administration costs, for communications equipment funded from the Enhanced 9-1-1 subaccount, and for distribution to cities and counties. Local governments use the revenue to partially fund the expense of the 43 Public Safety Answering Points (PSAPs) throughout the state. Expenses reimbursed from the Enhanced 9-1-1 subaccount are primarily used to make direct payments to vendors for PSAP circuit charges and software upgrades. The subaccount may reimburse cities and counties on an actual cost basis for some costs.

General Fund represents only about 2% of total agency funding, including debt service. General Fund is used for the 50% match requirement under the Emergency Management Performance Grant, to support most of the Administration Program, parts of the personal services costs for some positions in the other programs where federal funding does not cover 100% of personnel costs, and some services and supplies costs when grant funding cannot be used. Now that the Department is independent of the Oregon Military Department, it is working with FEMA on a new indirect cost rate on federal funding available since the separation.

Budget Environment

The 2023-25 biennium is the first full biennium as a standalone agency for ODEM after existing as a program within the Military Department. The Department's budget is comprised of five major program units: Administration, Emergency Preparedness and Response, 9-1-1 Emergency, Mitigation and Recovery, and Resiliency Bond Debt Service.

Administration - this program provides leadership, coordination, and support for ODEM and includes the Director's Office, Communications, and Financial Services, in addition to the coordination of the state Search and Rescue program between the National Guard, Coast Guard, and the Civil Air Patrol. Other administrative functions, such as Human Resources, are contracted through the Department of Administrative Services. HB 3059 (2023) established a Compliance Division to ensure the Department remains compliant with federal policy and grant agreements that is within the Administration Program. The budget for Administration is $21,216,040 General Fund, $1,876,297 Other Funds, and $794,874 Federal Funds, and includes 47 positions (47.00 FTE).

Emergency Preparedness and Response - this program provides the planning, training, and exercise programs for various hazard incidents. It also administers and distributes federal grant funds from the U.S. Department of Homeland Security to state and local entities to increase preparedness and response capabilities including Emergency Management Performance Grants, Homeland Security Grants, Regional Catastrophic Preparedness Grants, and Geohazards Grants. The State Emergency Coordination Center, the Oregon Emergency Response System, and the State Preparedness and Incident Response Equipment (SPIRE) grants, which are funded by bonding, are also within this program. The budget totals $3,957,005 General Fund, $9,078,919 Other Funds, $56,539,440 Federal Funds and 36 positions (30.75 FTE).

9-1-1 Emergency Program - this program administers the emergency telecommunications systems for the state, including upgrading and maintaining the statewide network system and equipment necessary for the delivery of 9-1-1 calls for service at every PSAP. The program's budget totals $143,785,723 Other Funds, with 12 positions (11.65 FTE).

Mitigation and Recovery - this program distributes the federal funding from the Federal Emergency Management Agency (FEMA) to state and local jurisdictions following federally declared disasters through the Public Assistance and Individual Assistance Grants. This program also includes federal Fire Assistance Grants, Flood Mitigation

Assistance and Pre-Disaster Grants for projects to prevent natural disasters impacts. The budget includes $1,166,892 General Fund, $25,925,466 Other Funds, and $995,197,613 Federal Funds and 46 positions (43.00 FTE).

Bond Debt Service - this program consists of the General Fund related to bonds issued for the SPIRE grant program which funds the purchase of equipment that is then provided to local governments and other recipients for emergency preparedness. The total debt service in the 2023-25 budget is $4,732,080 General Fund.

Legislatively Adopted Budget

The 2023-25 biennium is the first full two-year budget for the Department as a standalone agency. The legislatively adopted budget for the Department is $30.9 million General Fund, $180.9 million Other Funds, and $1.1 billion Federal Funds, and 141 positions (132.40 FTE). The total funds budget is $437.1 million, or 52.9% higher than the 2021-23 legislatively approved budget. This is due to the phase-in of Other Funds and Federal Fund limitation to represent a full biennial budget.

The General Fund budget is $30.9 million, which is only 1.3% higher than the 2021-23 legislatively adopted budget, and of that total, $4.5 million is General Fund Debt Service related to bonds.

General Fund investments in the Department's budget bill, HB 5017, include:

- $1.5 million of one-time General Fund to complete construction on the Emergency Coordination Center (ECC) which will be on the first floor of the Department's new headquarters building in Salem.
- $752,432 General Fund and four permanent full-time positions (phased in at 0.75 FTE each) to provide dedicated staff to the ECC and enhance statewide planning and training exercises.
- $548,030 General Fund for six permanent positions (2.52 FTE) to operate the Oregon Emergency Response System (OERS) which will be transferred from Oregon State Police on July 1, 2025. The positions are phased-in with a 10-month lead time to be trained and ready on the July 1 transfer date.
- $500,000 of one-time General Fund to complete the acquisition of a grants management software system. This project was initiated in 2021-23 but had not completed the stage gate process and is being carried forward into 2023-25.
- $400,000 of General Fund for the new headquarters building rent, bringing the total rent costs to $2.9 million for the biennium.
- $341,223 General Fund and $146,239 Federal Funds expenditure limitation for two regional coordinator positions, one each in Mitigation and Recovery Program and the Emergency Preparedness and Response Program. There will be a sixth regional coordinator that will align the ODEM emergency management structure more closely with other supporting agencies.
- $1.3 million General Fund, $146,810 Other Funds, and $2.9 million Federal Funds and 20 positions (18.88 FTE) in a comprehensive package to realign existing positions with appropriate funding types; correct classifications; making permanent two limited duration positions dedicated to emergency training and exercises and 9-1-1 projects; phasing-in three new IT positions, including a Chief Information Officer; and establishing 13 limited duration federally funded positions for Mitigation and Recovery. These positions include a risk map coordinator, grants coordinator, and standing position authority to quickly dedicate resources to specific federal emergency's as they arise.

The Department's budget also included $20 million of Other Funds expenditure limitation to carry forward Hazard Mitigation grant funding that was provided in HB 5202 (2022) but not yet expended, and $1 million of Federal Funds expenditure limitation and 5 positions (5.00 FTE) to enhance the Department's financial process for the distribution of Public Assistance funding for natural disasters.

HB 5019 provided ODEM with $722,631 of one-time General Fund as part of the statewide response to the Governor's declared homelessness emergency. This funding is to continue six limited duration positions (3.00 FTE) for one year as part of providing coordination and technical assistance to the Multi-Agency Coordinating groups in each of the designated emergency areas.

Finally, HB 3059 established the Oregon Disaster Response Assistance Matching Fund to meet state match requirements for federal grants or other federal aid received to provide disaster assistance to local governments or to provide direct disaster response assistance to local communities. $1 million of one-time General Fund was provided to capitalize the fund, with a corresponding $1 million of Other Funds expenditure limitation added to accommodate expenditures from the fund.

DEPARTMENT OF THE STATE FIRE MARSHAL

Analyst: Gibson

Agency Totals

	2019-21 Actual[1]	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	12,394,724	132,861,483	48,469,638	47,559,579
Other Funds	47,598,396	55,546,208	32,744,507	44,029,367
Federal Funds	346,102	569,137	599,875	599,769
Total Funds	**$60,339,222**	**$188,976,828**	**$81,814,020**	**$92,188,715**
Positions	92	144	141	157
FTE	72.13	123.57	141.00	155.56

[1]Data reflects budget and actual expenditures within the Department of State Police.

Overview

The Department of the State Fire Marshal (DSFM) was established as an independent agency in HB 2927 (2021), effective July 1, 2023. Prior to this date, the State Fire Marshal operated as an office within the Department of State Police (OSP). The Department is responsible for the protection of people, property, and the environment from fire and hazardous materials. DSFM is organized into six divisions delivering service to Oregonians through prevention, preparedness, and response program activities.

- **Office of the State Fire Marshal** - sets statewide policy and directs the Department; provides guidance for Oregon's fire service; oversees reporting and strategic planning; and leads fire response and prevention efforts within Oregon's fire service jurisdictions.
- **Support Services** - provides Department operations, including budget development and oversight, business support, information technology, and human resource services.
- **Emergency Response** - facilitates emergency response planning and resource coordination to protect citizens, communities, and the environment from fire, hazardous materials spills and releases, and natural hazard events.
- **Regulatory Services** - administers regulatory programs by conducting inspections and tests, as well as issuing permits and licenses.
- **Fire and Life Safety Services** - provides technical support and guidance to assist with fire prevention in public and private buildings.
- **Fire and Life Safety Education** - responsible for statewide programs in fire data and analytics, education on fire prevention and safety, and community risk reduction.

Revenue Sources and Relationships

The Department's 2023-25 legislatively adopted budget is supported by revenue from the General Fund (51%), Other Funds (48%) and Federal Funds (1%). Nearly 61% of Other Funds revenue is sourced from the Fire Insurance Premium Tax (FIPT). By statute, (ORS 731.820) every insurer with fire coverage pays an annual 1.15% of the gross amount of fire premiums to the Department of Consumer and Business Services, who transfers the revenue to DSFM for the purpose of maintaining the Office of the State Fire Marshal and covering agency expenses. Additional Other Funds revenue is sourced from hazardous substance possession fees; petroleum load fees; cardlock fees; liquified petroleum gas fees; fireworks fees; and other miscellaneous sources such as fines and interest income.

- Hazardous Substance Possession Fees (ORS 453.402) - Fees are assessed based on the reported chemical or substance in the highest maximum daily amount, and highest hazard ranking, for each facility, and calculated using a statutory fee schedule (OAR 837-090). The Department of Revenue (DOR) collects the

Hazardous Substance Possession Fee for the benefit of three programs designed to minimize the use and dangers of hazardous substances in Oregon. Collected revenue, less administrative costs for DOR, are transferred to the Department of Environmental Quality for the Toxics Use Reduction and Hazardous Waste Reduction Act, and the Orphan Site Account. The remaining balance is transferred to the State Fire Marshal for the Community Right to Know and Protection Act, which identifies hazardous substances. The Department estimates fee revenue totaling over $5 million for the 2023-25 biennium.

- Petroleum Load Fees (ORS 453.374) - The petroleum load withdrawal fee is established to implement the statewide hazardous materials emergency response system (ORS 453.374) as it relates to the maintenance, operation, and use of the public highways, roads, streets, and roadside rest areas. The Department projects fee revenue totaling just under $5 million for the 2023-25 biennium.
- Cardlock Fees (ORS 480.310-480.385) - The Nonretail Fueling (Cardlock) program is the licensing and regulatory program for commercial fuel dispensing of Class 1 flammable fuels. The application and renewal process allows qualified customers to dispense gasoline at licensed cardlock facilities, with associated fees paid to the State Fire Marshal. The Department projects fee revenue totaling approximately $1 million for the 2023-25 biennium.
- Liquified Petroleum (LP) Gas Fees (ORS 480.436) - There is an annual fee for the LP gas installation license, and biennial fees for fitter licenses and LP gas truck operator licenses. Fee revenue supports agency operations including the issuance of exams and licenses for propane work, as well as the inspection of liquefied petroleum gas tanks and locations. The Department anticipates fee revenue totaling approximately $700,000 for the 2023-25 biennium.

The Department receives Federal Funds revenue for hazardous material emergency preparedness activities from the U.S. Department of Transportation. Funding from the Hazardous Materials Emergency Preparedness Grant program (HMEP) has remained consistent over the past six biennia, realizing increases ranging from 3% to 5%.

<u>Budget Environment</u>
Climate change, drought, and the expanding wildland-urban interface are some of the factors causing Oregon's wildfire risk to escalate significantly. To this point, the 2021 legislative session made substantial investments to address the increasing severity of wildfire seasons as well as the increasing demand for the Department's services. SB 762 invested in three different wildfire risk reduction strategies. The first, Response Ready Oregon, increased DSFM's capacity to respond to wildfire; the second established the Community Risk Reduction fund intended to help communities become fire adapted; and the third strategy implemented a statewide defensible space fire code. The Department was provided over $100 million General Fund, $80 million of which was on a one-time basis.

Ahead of the 2022 fire season, the agency was able to utilize funds to modernize Oregon's response systems and invest in local resources with equipment purchases and the Upstaffing grant program which provided additional staff to local departments during fire season. As a result, fires were able to be detected and responded to in a faster, more efficient manner to prevent larger conflagrations and higher costs. The 2021 fire season expenditures totaled $22 million, from nine conflagrations including the third largest in Oregon's history, the 2022 fire season costs totaled $13 million from five conflagrations, and the 2023 fire season costs are estimated at $9 million from seven conflagrations. While wildfire risk factors are increasing, Oregon realized a decrease in fire cost of 40% between 2021 and 2022, and 27% between 2022 and 2023 estimates. Variance in cost and fire severity from one season to the next is driven by a multitude of complex factors, many of which are beyond control, such as weather, terrain, fuel conditions, and the location of wildfires. Factors that may be managed to mitigate the impact of a fire season include improved response time, capacity, and readiness of firefighting personnel. Since 2021, DSFM has applied lessons learned from previous historic fire seasons and invested in systems and strategies to detect and respond to fires faster and more efficiently.

The Department is projecting an available ending balance of approximately $18 million in revenue from the Fire Insurance Premium Tax (FIPT) at the close of the 2021-23 biennium. Since this revenue source exists by statute to maintain the Office of the State Fire Marshal and cover agency expenses, the Department seeks to increase Other Funds expenditure limitation and draw on the balance to cover costs associated with establishing the agency. The Department's projected balance will more than cover the $5 million increase in Other Funds expenditure limitation for the 2023-25 biennium. However, best practices dictate one-time revenues should be reserved for one-time expenditures. If the Department's operational expenditures are projected to increase above the approved 2023-25 budget, a long-term solution should be identified to cover any increase in recurring expenses with recurring revenue to avoid an eventual shortfall.

The 2023-25 biennium is the first biennium in which the Department will operate as an independent agency. Although much of the work associated with this transition was accomplished toward the close of the 2021-23 biennium, it is anticipated the Department will continue to develop and make adjustments as DSFM operates autonomously throughout the 2023-25 biennium.

Legislatively Adopted Budget

The Department's 2023-25 legislatively adopted budget includes over $92 million in total funds. This is comprised of $48 million General Fund, $44 million Other Funds, and less than $1 million Federal Funds expenditure limitation. The total funds budget represents a reduction of 51% from the 2021-23 legislatively approved budget. The significant decrease is primarily driven by the phase-out of $105 million in one-time funding; including $80 million General Fund and $25 million in Other Funds expenditure limitation related to 2021 fire season costs provided by the 2022 legislative session, and SB 762 (2021) investments to increase wildfire readiness capacity. The 2023-25 legislatively adopted budget supports 157 positions (155.56 FTE), which is an increase of 13 positions (31.99 FTE) from the 2021-23 legislatively approved budget.

The General Fund budget of $48 million represents a decrease of 64% from 2021-23 levels. A total of $15 million in one-time General Fund investments were authorized in legislation outside of the Department's primary budget bill (HB 5036). The following summarizes General Fund adjustments by measure:

HB 5036 - the Department's primary budget bill:

- $1 million to establish and support four positions (3.52 FTE) including an Accountant 3, an Accounting Technician, a Human Resources Analyst, and an Internal Auditor to increase capacity for the Department's centralized support services as DSFM transitions to an independent agency.
- A reduction of $2 million as the net result of increasing the Department's rent support by $0.5 million; establishing five permanent full-time information technology positions (4.40 FTE) to support emergency response systems, various applications, statewide data collection, analysis, and reporting; and shifting nearly $3 million from DSFM to OSP to rebalance the agencies as they separate.
- A reduction of $14 million to right-size the amount necessary to deliver the remaining one-time funds included in SB 762 for engine purchases. This adjustment is the net result of a of $21 million reduction in Special Payments and a reappropriation of $6 million in Capital Outlay.
- A reduction of $438,204 and two positions (2.00 FTE) from eliminating two long-term vacancies.

SB 80 - relating to wildfire:

- $3 million on a one-time basis for deposit into Community Risk Reduction Fund for the purposes of carrying out community risk reduction activities and local government financial assistance.

SB 5506 - relating to state financial administration (the 2023 Omnibus bill):

- $12 million General Fund was provided on a one-time basis for four investments in wildfire mitigation and response activities throughout the state. These include:
  - $2 million for deposit into the State Fire Marshal Mobilization Fund for costs associated with mobilizing local fire service personnel and equipment to conflagrations.

- $6 million to continue the Wildfire Season Staffing grants.
- $2 million for wildfire readiness and response, including pre-positioning resources ahead of anticipated wildfire conditions.
- $2 million for fire apparatus maintenance, firefighting equipment refurbishment, and operations and maintenance of engines.

The 2023-25 legislatively adopted budget includes over $44 million Other Funds expenditure limitation. This is $12 million, or 21% below the 2021-23 legislatively approved budget, largely due to the phase-out of $25 million in one-time Other Funds expenditure limitation granted to expend funds deposited into the Community Risk Reduction Fund by SB 762. Adjustments to Other Funds expenditure limitation include:

HB 5036 - the Department's primary budget bill:

- $5 million one-time expenditure limitation, supported by the Department's existing FIPT balance, for new office and IT infrastructure, lease closeout and agreement costs, IT services and consulting, and software licenses.
- $1 million to establish six positions (5.64 FTE) to increase capacity for the Department as DSFM transitions to an independent agency.
- $2 million to support IT position establishments, various reclassifications and a rebalance of funding between DSFM and OSP.

SB 80 - relating to wildfire:

- $3 million on a one-time basis to expend funds deposited into Community Risk Reduction Fund.

SB 5506 - relating to state financial administration (the 2023 Omnibus bill):

- $2 million to expend one-time funds deposited into the State Fire Marshal Mobilization Fund.
- $545,174 to convert three existing full-time limited duration positions (3.00 FTE) to permanent positions for ongoing operational support. Positions include a Principal Executive Manager D, Accounting Technician, and Operations and Policy Analyst 2. These positions are all supported with revenue from the Fire Insurance Premium Tax.
- A reduction of $2 million related to adjustments for statewide service charges.

Federal Funds expenditure limitation totaled just under $1 million for the 2023-25 legislatively adopted budget. This amount is equal to current service level budget and represents an increase of 5.4% above the 2021-23 legislatively approved budget.

DEPARTMENT OF JUSTICE

Analyst: Borden

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	116,871,167	182,874,285	147,343,272	184,364,388
Other Funds	345,893,848	425,222,528	425,243,185	488,754,094
Federal Funds	189,408,773	224,501,233	169,084,534	215,413,763
Total Funds	**$652,173,788**	**$832,598,046**	**$741,670,991**	**$888,572,245**
Positions	1,460	1,505	1,470	1,534
FTE	1,424.80	1,469.16	1,460.21	1,519.46

Overview

The Department of Justice (DOJ) is responsible for general legal counsel and supervision of all civil actions and legal proceedings in which the state is a party or has an interest. DOJ is also responsible for a number of programs, including child support, district attorney assistance, crime victims' compensation, charitable activity enforcement, organized crime-related law enforcement, criminal investigations, criminal intelligence, and consumer protection and education services.

DOJ is overseen by the Attorney General, who is a statewide elected official whose authority is established in statute rather than the constitution. The Attorney General is the chief legal officer of the state, with a term of office of four years. DOJ operates under statutes governing processes that apply to executive branch agencies, such as budgeting, human resources, procurement, and information technology.

The DOJ is organized into the following divisions:

- Office of the Attorney General/Administration - provides governance and central support services.
- Appellate Division - represents the state in all cases appealed to state and federal appellate courts in which the state is a party or has a significant interest.
- Civil Enforcement Division - acts as the State's plaintiff's civil litigation arm assisting state agencies and programs in seeking enforcement action or recovery of money.
- Child Advocacy Division - provides legal representation to Oregon Department of Human Services Child Welfare Program on child welfare cases.
- Criminal Justice Division - provides investigation, prosecution, and analysis to the public safety system.
- Crime Victims and Survivor Services Division: provides services and funding for victims of crime.
- General Counsel Division - provides legal services to state officials, agencies, boards, and commissions.
- Trial Division: defends the state in all state and federal trial courts.
- Defense of Criminal Convictions - tracks the cost of defending the state in cases in which sentenced offenders challenge their convictions or sentences.
- Division of Child Support - administers the State's Child Support Program.
- Child Support Enforcement Automated System - tracks the costs of replacing the child support case management and financial system.
- Debt Service and Related Costs: tracks the repayment of Article XI-Q bonds.

Revenue Sources and Relationships
DOJ receives General Fund for criminal appeals, district attorney assistance, organized crime and criminal intelligence, the Oregon Domestic and Sexual Assault Violence fund, the Address Confidentiality program, the Child Abuse Multidisciplinary Intervention program, protecting civil rights, ballot measure work, and for state match for federal child support enforcement funds. General Fund accounts for 21% of the Department's total expenditures.

Other Funds revenue make up 55% of DOJ's budget with the primary source being revenue generated from charges to state agencies for legal services. The legal services rate (also known as the Attorney General rate) is established as part of the legislative budget process. The Attorney General rate for attorneys is $275 per hour for the 2023-25 biennium and is estimated to generate $322.9 million in revenue. DOJ's flat rate, or flat charge, billing model was discontinued on June 30, 2021 due to inherent deficiencies with the model, and all agencies transitioned to the hourly rate billing model.

Additional sources of Other Funds revenue include allocations from the Criminal Fine Account to support the Criminal Injuries Compensation Account, Child Abuse Multidisciplinary Intervention Account, Child Abuse Medical Assessment program, regional assessment centers, and the Master Tobacco Settlement Agreement fund.

Other Funds revenue also comes from the Defense of Criminal Convictions, registration and filing fees charged to charitable organizations, child support payments for families in the Temporary Assistance for Needy Families (TANF) program, and Federal as Other Funds for performance incentives awarded to the Child Support program.

Federal Funds make up 24% of DOJ's budget and fund child support enforcement, Medicaid fraud investigations, crime victim programs, and criminal justice-related activities. Federal Funds are also used as matching funds passed through to district attorneys for completed child support work.

Budget Environment
DOJ is responsible for all court actions and legal proceedings in which the state of Oregon is a party or has an interest, including all civil and criminal cases before state and federal courts. DOJ exercises virtually complete authority over all legal business for approximately 100 state agencies, boards, and commissions. Successive attorney generals have adhered to a policy of a consolidated or centralized legal service delivery model over a de-centralized service delivery model. Statute provides an exemption for some entities from the requirement to use only DOJ provided legal services.

DOJ does, by a memorandum of agreement, allow the State Treasury and the Secretary of State to operate outside the consolidated service delivery model by allowing these two agencies the ability to hire, supervise, compensate, and generally operate an in-house legal services department apart from DOJ. No other state agencies are afforded such an option.

DOJ uses an hourly rate billing model, which is foundational to the operation, functioning, and funding of DOJ's provisioning of legal services. Hourly billings are critical for cost recovery in legal settlements in either successful or unsuccessful litigation. The underlying hourly rate pays generally for the attorney's time and covers indirect costs of providing administrative services at both the program and agency wide levels. Employee compensation is the major factor which drives the changes in the rate, albeit other key factors can play a significant role (e.g., cash carryforward, inflation rates on services and supplies, and policy package requests). Of note is that DOJ's service delivery model routinely employs the use of outside counsel, which is typically paid directly by client agencies rather than DOJ.

DOJ is currently not utilizing a caseload to develop the agency's budget other than for the Defense of Criminal Convictions. There is little, if any, management reporting to external stakeholders of DOJ's actual caseloads and limited effort is undertaken by DOJ in ascertaining the quality of the legal services provided to agencies and entities, even though the agency receives much of its revenue through hourly legal service billings to client agencies.

DOJ is responsible for a conglomeration of functions and activities, some of which may only be tangentially related to the legal system. The Child Support Division locates parents, establishes paternity, enforces and modifies child support obligations, and receives and distributes support payments from absent parents. The Crime Victim and Survivor Services Division compensates victims of violent crime, advocates for crime victims, and administers state and federal grants that provide partial funding to nearly every non-profit and system-based victims program in the state. Some DOJ programs are critical to sustaining the state's receipt of Federal Funds, such as the investigation and prosecution of Medicaid and Social Security Administration's Title II and XVI fraud.

DOJ works with a broad spectrum of stakeholders, from local public safety partners to private non-profits to the federal government. DOJ supports local district attorneys with prosecutorial assistance, investigations, information technology support, and administrative support. DOJ's Appellate and Trial Divisions may also defend the state in local district attorney cases in which sentenced offenders challenge their convictions or sentences.

Legislatively Adopted Budget

The 2023-25 adopted budget is $888.6 million total funds, including $184.4 million General Fund, $488.8 million Other Funds, and $215.4 million Federal Funds. The total funds budget is $56 million, or 6.7%, more than the 2019-21 legislatively approved budget. The budget includes 1,534 positions (1,519.46 FTE). The adopted budget included the following major budgetary investments or changes:

- $38.1 million Federal Fund and three permanent full-time positions (2.76 FTE) for the Victim of Crimes Act grant.
- $21.2 million Other Funds, $3.9 million General Fund and 22 limited duration positions (22.00 FTE) in one-time funding to continue the Legal Tools information technology 3.0 project, Other Funds expenditure limitation of $2.5 million for debt service paid as a part of hourly legal billings to state agencies, and Other Funds expenditure limitation of $320,000 for the cost of the bond issuance.
- $15 million Other Funds (American Rescue Plan Act) and $10 million General Fund in one-time funding and three limited duration full-time positions (3.00 FTE) for community-based violence prevention grants.
- $10 million General Fund and $10 million Other Funds in one-time funding to assist victims of domestic violence and sexual assault with emergency shelter and safety planning.
- $6.6 million Other Funds and 18 permanent full-time positions (15.75 FTE) for organizational changes to the Child Advocacy Division.
- $6 million General Fund in one-time funding to assist victims of domestic violence and sexual assault with housing assistance.
- $6 million General Fund in one-time funding for distribution to Children's Advocacy Centers (HB 2732, 2023).
- $5.2 million General Fund and $10.1 million Federal Funds for the Child Support Automated System.
- $1.8 million Other Funds and five permanent full-time positions (3.38 FTE) for the enforcement of consumer data privacy laws (SB 619, 2023).
- $1.3 million Other Funds and five permanent full-time positions (4.40 FTE) for information technology staffing and the reclassification of staff.
- $1.2 million General Fund, $680,528 Other Funds, and $1.4 million Federal Funds reductions and the abolishment of 17 long-term vacant positions (16.17 FTE).
- $1.1 million Federal Funds and three limited duration positions (2.88 FTE) for a Human Trafficking Intervention grant.

- $1.1 million Federal Funds and three permanent full-time positions (3.00 FTE) for an Urban Area Security Initiative and State Homeland Security Grant programs.
- $1.1 million Other Funds and four permanent full-time positions (3.52 FTE) to in-source civil trial legal work.
- $1.1 million Other Funds and $180,438 General Fund and five permanent full-time positions (4.51 FTE) for human resources, accounting, procurement, and project management.
- $821,346 General Fund and three permanent full-time positions (2.63 FTE) for the investigation of organized retail theft.
- $550,056 Other Funds and two permanent full-time positions (1.75 FTE) for additional staff support in the Office of the Attorney General.
- $457,758 General Fund and one permanent full-time position (0.88 FTE) for an Animal Cruelty Resource Prosecutor.

Administration

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	473,463	8,313,642	4,658,548	4,712,412
Other Funds	40,921,168	50,985,489	50,724,681	75,468,156
Total Funds	**$41,394,631**	**$59,299,131**	**$55,383,229**	**80,180,568**
Positions	120	151	131	154
FTE	117.96	141.51	129.75	151.41

Program Description

Administration includes the Office of the Attorney General and Administrative Services. The Office of the Attorney General, which includes the executive management, sets direction and policy for the agency. The Office is supported by special counsel positions, legislative affairs staff, communications staff, and consumer protection and outreach staff.

Administrative Services provides centralized operational support services for most of the DOJ and includes fiscal services, internal audit, information services, facility operations, and human resources. Some programs, such as the Child Support Division, maintain mostly separate administrative service functions.

Beginning with the 2019-21 biennium, the division also includes an internally focused diversity and inclusivity position. The Division also contains the Civil Rights Unit lead by a Civil Rights Director. The Unit provides outreach around the state, makes continuing legal education presentations to the legal community, reviews public complaints, and makes referrals for legal action. In prior biennia, the Unit was responsible for the Bias Hotline and Sanctuary Hotline programs; however, at the agency's request, these programs were moved out of the Civil Rights Unit.

Revenue Sources and Relationships

The Office of the Attorney General and Administrative Services are supported by General and Other Funds, with the primary revenue source being a cost allocation plan that charges programs for central services, such as budget, accounting, internal audit, human services, facilities management, information systems and the Office of the Attorney General. The distribution of these costs is based on the amount of time or service each section of Administration provides to other divisions or programs and the program's underlying funding source(s). Due to the large amount of federal funding within the agency, the intra-agency charge must be certified on an annual basis by the federal government. Operating programs reflect the charge as an expense from which the proceeds are then transferred to the Administration program as a revenue source.

General Fund supports the Civil Rights Unit and the Legal Tools Replacement Project 3.0 for expenditures deemed ineligible to be financed with Article XI-Q bond proceeds.

Budget Environment

The agency processes approximately 14,000 legal service billings each year across approximately 100 client agencies. The agency's legal documentation system is used by approximately 345 attorneys. The information technology backbone of the agency consists of approximately 27 complex systems, 436 virtual servers, and 45 physical servers.

In 2019-21, after an attempt to use contract services to perform internal audits, the Legislature decided to add back an internal auditor position to the agency. In 2021 the Legislature to add a second internal auditor position. Legal Tools Replacement Project 3.0 is DOJ's third attempt to begin the process to replace the agency's legacy case, document, time capture, billing, and legal matter applications. The 2023 Legislature directed DOJ to report on the status of the Legal Tools Replacement Project 3.0 technology project prior to the 2024 legislative session.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $80.2 million is $20.9 million, or 35.23%, more than the 2021-23 legislatively approved budget and includes 151 positions (141.52 FTE). The adopted budget included the following major budgetary investments or changes:

- $3.9 million General Fund and $21.2 million Other Funds and 22 limited duration positions (22.00 FTE) for the Legal Tools information technology 3.0 project.
- $3.6 million General Fund reduction and ten positions (10.00 FTE).
- $1.3 million Other Funds and five positions (4.40 FTE) for the new information technology staff.
- $550,056 Other Funds and two positions (1.75 FTE) — one Deputy Legislative Affairs Director classified as a Consultant Advisor 1 (0.88 FTE) and one Public Affairs Specialist 1 (0.87 FTE).
- $180,438 General Fund, $1.1 million Other Funds and five positions (4.51 FTE) for human resources, accounting, procurement, project management, and grant accounting.
- $726,290 Other Funds to replace technical hardware.
- $281,786 General Fund reduction and abolishment eliminates a long-term vacant Criminal Investigator in the Civil Rights Unit position (1.00 FTE).
- $115,000 Other Funds for grand jury recordation.
- $105,000 Other Funds reduction to eliminate the Cost of Issuance of previously approved bonding authority in the 2021-23 biennium.
- $59,249 General Fund services and supplies reduction to the Civil Rights Unit/Bias Response Hotline/Sanctuary Hotline programs.

Appellate Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	283,550	379,329	446,470	443,030
Other Funds	23,240,743	28,088,773	29,825,385	30,189,092
Total Funds	**$23,524,293**	**$28,468,102**	**$30,271,855**	**30,632,122**
Positions	57	59	59	60
FTE	56.50	57.59	58.50	59.38

Program Description

The Appellate Division represents the State in all cases appealed to state and federal appellate courts in which the State is a party or has a significant interest. Attorneys in this Division spend most of their time preparing briefs and arguing appeals in criminal, civil, and administrative cases in which the parties disagree with the trial court or agency order. The Division may also file mandamus and amicus briefs. Attorneys in this Division also prepare and defend ballot measure titles. In most of these cases, attorneys appear before the Oregon Court of Appeals, the Oregon Supreme Court, and the federal Ninth Circuit Court of Appeals. Attorneys occasionally appear in other federal appellate courts and the U.S. Supreme Court.

The Division, which is led by the Solicitor General, is organized into the following sections:

- Defense of Criminal Convictions/Direct Appeals - responding to arguments by offenders that the trial court made a legal error that affected the conviction or sentence. The program also handles cases in which the state appeals the dismissal of a criminal charge or the exclusion of evidence critical to the prosecution of a case.
- Defensive of Criminal Convictions/Post Conviction and Federal Habeas - responding to arguments by offenders whose convictions are final, usually challenging the effectiveness of counsel or, for federal habeas corpus, violations of federal constitutional rights.
- Civil and Administrative Appeals - litigating disputes over taxes, contracts, torts, civil commitments, juvenile dependency, challenges to statutes, professional and other licensing decisions, regulatory decisions that impose fines or other penalties, benefit decisions, and administrative rules.

Revenue Sources and Relationships

Approximately 70% of the billable hours for this Division are charged (indirectly) to the General Fund appropriation for the Defense of Criminal Convictions (see later section); however, such funds are expended as Other Funds. Revenues for civil or administrative appeals are Other Funds generated from the hourly fees billed to state agencies. A General Fund appropriation funds preparing and defending ballot measure titles.

Budget Environment

Since DOJ is usually responding to appeals filed by others, it has little control over its workload. The Division handles between 3,000 and 4,000 cases (approximately one-half are criminal cases and the rest are civil cases) per biennium for the Oregon Court of Appeals and the U.S. Court of Appeals for the Ninth Circuit. The Appellate Division is involved in the majority of cases in Oregon's Appellate courts. For defending criminal convictions, the goal is to brief cases within 182 days. Civil and administrative cases are briefed on a 49-day schedule. The Division reviews approximately 35 ballot titles per year.

The Division has been reporting significantly higher expenditures for post-conviction relief (PCR) and federal habeas due to increasing PCR claims, increased use of expert witnesses, increased amounts of resources expended by PCR petitioners, increased length of Trial Memoranda, and the Court of Appeals redefining "prejudice" and whether counsel acted reasonably. Concurrently, the cost for capital cases has been declining. SB 1013 (2019) limited the use of capital punishment to a narrow set of circumstances and now most such cases may not be prosecuted as capital aggravated murder cases, the only capital crime in Oregon.

DOJ will be impacted by the Oregon Supreme Court ruling in Watkins v. Ackley that held that the requirement of unanimous jury verdicts in serious criminal cases applies to older criminal cases as well as those still on appeal. The ruling applies to cases where a criminal conviction was final and the appeals, if any, were over before the U.S. Supreme Court ruling decision that was issued in April 2020. The total number of post-conviction cases is unknown currently. SB 321 (2023) added a two-year statute of limitation for nonunanimous jury verdict felony convictions and provides an evidentiary criterion for petitioners in a post-conviction relief case and upon retrial.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $30.6 million is $2.2 million, or 7.6%, more than the 2021-23 legislatively approved budget and includes 60 positions (59.38 FTE). The adopted budget includes the following major budgetary investments or changes:

- $230,679 Other Funds and one Appellate Civil Paralegal position (0.88 FTE) for the Civil and Administrative Appeals Section.
- $141,449 Other Funds to reconcile intra-agency cost allocation charges and $26,240 Other Funds for information technology hardware lifecycle replacement and licensing.

Civil Enforcement Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted*
Other Funds	103,666,337	127,446,803	137,842,920	65,346,298
Federal Funds	4,109,015	5,562,135	5,829,076	5,899,880
Total Funds	**$107,775,352**	**$133,008,938**	**$143,671,996**	**71,246,178**
Positions	305	305	304	129
FTE	297.05	300.92	301.79	126.38

*Reflects the establishment of the Child Advocacy Section as its own Division.

Program Description

The Civil Enforcement Division is generally the State's plaintiff's civil litigation arm assisting state agencies and programs in seeking enforcement action or recovery of money. The Civil Enforcement Division is organized as following sections:

- Civil Recovery (CRS) - serves as plaintiff's counsel for state agencies and programs. The Section's work spans a wide variety of legal topics, including but not limited to collections, breach of contract, bankruptcy, estate recovery and conservatorship/guardianship, as well as enforcement of agency statutory rights and claims to recover money or property.
- Consumer Protection Section (CPS) - investigates and prosecutes violations of the Unlawful Trade Practices Act. Investigations span a wide range of consumer activity, including consumer finance, privacy, health care, and telecommunications. Staff also work directly with consumers and businesses to informally resolve consumer complaints and to assist a team of community volunteers who staff DOJ's consumer hotline.
- Charitable Activities Section (CAS) - oversees the activities of charitable organizations in Oregon to protect the public interest in charitable assets. enforces laws related to nonprofit gaming, including issuing licenses for bingo, raffles, and other fundraising events that involve gambling. The Section may take civil legal actions against organizations that misuse charitable assets or engage in misleading solicitations. In contrast, the Oregon State Police - Gaming Enforcement is responsible for enforcement activities for the Oregon Lottery and regulatory functions for Tribal Gaming under a gaming compact, including vendor background investigations.
- Medicaid Fraud Control Unit - operates as a federally mandated program to investigate and prosecute billing fraud committed by Medicaid providers. In addition, this Section investigates and prosecutes physical abuse, neglect, and financial exploitation of Medicaid patients in connection with the delivery of health care services, as well as providing training and outreach relating to abuse in the Medicaid system.
- Tobacco Enforcement Unit - responsible for ensuring compliance with the terms of the Tobacco Master Settlement Agreement and related statute. The Unit operates Oregon's Directory of Cigarette Brands Approved for Stamping and Sale and handles issues related to the ban on internet sales of cigarettes in Oregon.

- Antitrust and False Claims Unit - responsible for conducting investigations and prosecuting false claims cases and addressing price fixing, mergers, and anticompetitive conduct.
- Foreclosure Avoidance (Mediation) Program - facilitates face-to-face meeting, or dispute resolution conference, between a homeowner and any lender seeking to conduct a non-judicial foreclosure.
- Consumer Data Privacy - regulates the collection of personal data by any person conducting business in Oregon or providing products or services to residents of Oregon.

Revenue Sources and Relationships

The Division is partially self-funded from recovered moneys deposited into the Protection and Education Revolving Account and paid by companies and organizations that sign assurances of voluntary compliance for violations of consumer protection laws. Revenue to support the enforcement of the Tobacco Master Settlement Agreement (TMSA) comes from an allocation of TMSA settlement funds. Fees charged to charitable and non-profit organizations for registration, filing financial reports, and gaming activities are used to fund the Charitable Activities section.

Federal Funds provide 75% of the resources for the Medicaid Fraud Control Unit, while the State must contribute a 25% match to receive the federal funds. The federal government allows DOJ to use Medicaid recoveries for the state match in some cases if the Medicaid program and other victims are first made whole.

Budget Environment

The consumer hotline receives approximately 34,000 calls each year, with approximately 6,500 consumer complaints filed each year. DOJ has reached a number of legal settlements, including some multi-state settlements, resulting in moneys being made available to the state. More material settlements include: (a) national opioid-related settlements (Oregon stands to receive up to $270.4 million over time), (b) national JUUL Labs settlement ($18.8 million), and (c) national Google privacy settlement ($14.8 million), among others.

Enforcement of the provisions of the Tobacco Master Settlement Agreement (TMSA) and statutes relating to the escrow obligations of Non-Participating Manufacturers or those companies that are not part of the TMSA, is necessary to protect the approximate $150 million revenue stream received from the TMSA each biennium. Historically, disputed state payments have been withheld from the annual TMSA payments. In the Spring of 2017, Oregon joined over 20 settling states who had previously reached a resolution with the participating manufacturers on the disputed portion of the settlement for years 2004 through 2015. That settlement was recently extended through 2022. Payments have been made to the states for these years. DOJ no longer requires General Fund for defending the State's enforcement actions to the arbitration panel.

Oregon's Medicaid Fraud unit's work is based on the number of senior citizens in long-term care facilities, the size of the state Medicaid budget, the number of Medicaid providers, federal expansion of the Section's jurisdiction, and the sophistication seen in health care fraud schemes.

The number of registered charitable organizations has increased from about 3,000 in the early 1990s to over 22,000 in 2021. The Charitable Activities Section must manage the registration paperwork for each charitable organization and ensure that the entities are protecting the public interest in their charitable assets. The Section is involved when there is a proposal to modify or terminate a charitable trust. The Section also manages licensing of nonprofit gaming organizations, which numbered approximately 670 in 2021. The pandemic had a significant impact on Section revenue from charitable gaming fees. For example, gaming revenue decreased from $102,000 in the first fiscal quarter of 2019 to only $34,000 in the first fiscal quarter of 2020 as many bingo halls were closed, at least temporarily, due to the pandemic.

The Legislature adopted the Foreclosure Avoidance Program to address concerns about foreclosures stemming from the 2007-08 financial crisis. After reaching a monthly rate of over 1600 requests for mediation in April 2014, the rate has been steadily declining as the housing economy recovered. However, the pandemic-related state and federal moratoriums on most foreclosures had a significant impact on the program during 2020 and 2021, reducing the case requests to a low of 77 in November 2020. Case requests have been increasing again since March 2021 and the program expects that case requests will continue to rise as the foreclosure moratoriums are lifted. Since the inception of the program in April 2013 through June 2021, the program has received over 53,000 requests for resolution and over 11,000 homeowners have participated in mediation with their lender. Of these mediations, 4,691 resulted in an agreement between the homeowner and lender and 5,991 failed to reach an agreement. 81% of homeowners participating in the program report being satisfied or very satisfied with the program overall.

The 2023 Legislature expanded the eligible use of the Protection and Education Revolving Account to include regulations related to the collection of personal data by any person conducting business in Oregon or providing products or services to residents of Oregon (SB 619).

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $71.3 million is $61.8 million, or 46.4%, less than the 2021-23 legislatively approved budget and includes 129 positions (126.38 FTE). The adopted budget included the following major budgetary investments or changes:

- $73.5 million Other Funds reduction and 178 positions (176.76 FTE) to establish the Child Advocacy Division.
- $1.8 million Other Funds and five permanent full-time positions (3.38 FTE) for the enforcement of consumer data privacy laws (SB 619, 2023).
- $433,099 Other Funds reduction and the abolishment of two long-term vacant positions (2.00 FTE).
- $167,563 Other Funds and $84,559 Federal Funds to reconcile intra-agency cost allocation charges and $91,100 Other Funds for information technology hardware lifecycle replacement and licensing.

Child Advocacy Division

	2019-21 Actuals*	2021-23 Legislatively Approved*	2023-25 Current Service Level*	2023-25 Legislatively Adopted
Other Funds	--	--	--	80,828,668
Total Funds	**--**	**--**	**--**	**$80,828,668**
Positions	--	--	--	197
FTE	--	--	--	193.54

*Amounts included under the Civil Enforcement Division.

Program Description

The Child Advocacy Division provides full legal representation and advisement to the Oregon Department of Human Services (ODHS) - Child Welfare Program throughout the life of a child welfare case, including removal hearings, juvenile dependency matters, termination of parental rights cases, and mental health commitments. The Division provides ODHS the legal support needed for the agency to meet its legal obligation to provide medical, dental, and mental health services to children in their custody. In addition, the Division provides advice and administrative hearing support to the ODHS Foster Case/Certification Program.

The Child Advocacy Division is a new legal division within the Department that formally existed as a section within the Civil Enforcement Division and was established to provide a more transparent identification and tracking of the program's budget and actual expenditures. The Division has offices in Portland, Pendleton, Salem, Bend, Eugene, and Medford.

Revenue Sources and Relationships
The Division is supported by Other Funds through billings to client agencies and programs, primarily the Oregon Department of Human Services (ODHS) - Child Welfare Program and the Department of Justice - Division of Child Support. Hourly billings to ODHS are funded with 60% General Fund and 40% Federal Funding; hourly billings to DOJ's Division of Child Support are funded with 34% General Fund and 66% Federal Funds.

Budget Environment
Beginning in 2017 and continuing in 2019, the Legislature provided enhanced funding for full legal representation of ODHS Child Welfare caseworkers in court in all 36 Oregon counties. Full legal representation was rolled out across the state in three phases, with implementation of the final phase concluded on July 1, 2019. DOJ's attorneys now attend all juvenile dependency hearings and trials across the state and, in 2020, DOJ attorneys represented ODHS Child Welfare in over 20,000 court appearances.

During the 2021-23 biennium, DOJ commissioned an independent study of the agency's child welfare legal services, and the findings of which noted the need for process improvements, including billing, determining caseload weighting, increased need for coordination between support staff and attorneys, and general supervision.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget is $80.8 million and includes 197 positions (193.54 FTE). The adopted budget included the following major budgetary investments or changes:

- $73.5 million Other Funds and 178 positions (176.76 FTE) to establish the Child Advocacy Division.
- $6.6 million Other Funds and 18 positions (15.75 FTE) for organizational changes to the Child Advocacy Division.
- $414,292 Other Funds and one position (1.00 FTE) for the establishment of a statewide Family Treatment Court Steering Committee.
- $362,853 Other Funds to reconcile intra-agency cost allocation charges.

Criminal Justice Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	14,964,131	20,458,120	21,710,296	24,477,907
Other Funds	8,161,006	9,032,207	8,118,710	8,511,019
Federal Funds	1,061,292	1,269,168	1,471,704	1,517,306
Total Funds	**$24,186,429**	**$30,759,495**	**$31,300,710**	**$34,506,232**
Positions	59	67	64	74
FTE	59.00	65.50	64.00	73.51

Program Description
The Criminal Justice Division provides investigation, prosecution, and analysis to a broad spectrum of public safety programs. Specifically, the Division assists the 36 District Attorney (DA) offices in criminal cases and matters relating to prosecution and law enforcement in their respective counties by providing trial and investigative assistance, technical-legal and prosecutorial advice and services, and legal education and training in criminal law and procedures. DOJ staff may step in and act as the county District Attorney in the event of a vacancy.

The Division is organized into the following sections/units:

- Bias Crimes - prosecution and investigation of bias crimes.

- Organized Retail Theft - investigation of organized retail theft.
- Animal Cruelty Resource Prosecutor - animal cruelty investigations and prosecutions.
- Special Investigations and Prosecutions Section (District Attorney Assistance) - assistance to the 36 District Attorney offices in criminal cases and matters related to prosecution and law enforcement by providing investigative assistance, technical legal and prosecutorial advice and services, legal education and training in criminal law and procedures. This section has dedicated resource prosecutors for Driving Under the Influence of Intoxicants, domestic violence, and elder abuse.
- Environmental Crimes and Cultural Resources Unit (ECRU) - criminal prosecutions under state and federal environmental laws, including water and air pollution, hazardous waste, and wildlife poaching prosecutions.
- Commission on Statewide Law Enforcement (HB 2930, 2021) - adoption of uniform statewide rules for law enforcement standards of conduct and disciplinary standards.
- Oregon Internet Crimes Against Children Unit (ICAC) - investigates online sexual exploitation of children.
- Cooperative Disabilities Investigation Unit (CDIU) - investigates and prosecutes fraud and abuse in the Social Security Administration's Title II and XVI programs and other insurance and benefit payments. The Unit's primary responsibility is to develop credible and independent evidence for the timely resolution and determination of disability eligibility.
- Organized Crime Section - investigates and prosecutes organized criminal activities, including racketeering, complex financial and investment schemes, public corruption or malfeasance by public officials, and election law violations, and serves as counsel to Oregon State Police forfeiture program.
- Analytical and Criminal and Investigative Support Section - facilitates the gathering, analysis, and sharing of criminal information with local, state, and national law enforcement agencies.
- Titan Fusion Center - provides intelligence services to law enforcement to combat terrorism in Oregon, including bulletins, risk, threat, and vulnerability assessments, and analytical support.
- Investigative Service Center - promotes, facilitates, and coordinates the exchange of criminal intelligence information and provides analytical case support and strategic analysis. As of June of 2021, the ISC has been funded with General Fund. Prior to June 2021, the ISC was funded with the Federal as Other Funds from a High Intensity Drug Trafficking Areas (HIDTA) grant.
- Watch Center - primary mission is to enhance officer safety through deconfliction (process to ensure that multiple agencies do not inadvertently target the same event, individual, or organization at the same time), as well as providing tactical analytical support to law enforcement officers throughout the state. As of June 2021, the Watch Center has been funded with General Fund. Prior to June 2021, the Watch Center was funded with the Federal as Other Funds from a High Intensity Drug Trafficking Areas grant.
- Regional Automated Information Network (RAIN) - charged with facilitating law enforcement data-sharing by connecting separate, locally administered criminal justice records management systems by allowing user access to query various systems. RAIN is a non-profit organization of state and local law enforcement agencies which voluntarily participates in a cooperative to purchase access to "Coplink." Coplink was developed and housed at DOJ. It was designed as a clearinghouse to share criminal case data across jurisdictions. RAIN connects locally administered criminal justice records management systems to a single network accessible to participating RAIN members.
- State Homeland Security Grant - provides for continued work on the Oregon state critical infrastructure plan.
- Urban Area Security Initiative (UASI) - provides risk and threat assessments to prevent terrorist events in the Portland urban area, which includes Multnomah, Clackamas, Washington, Columbia, and Clark counties. In addition, the grant provides for tactical and strategic analytical case support, conducts

Criminal Infrastructure and Key Resources assessments, including cyber-related infrastructure, conducts seminars, and all crime briefings to the Regional Disaster Preparedness Organization.

Revenue Sources and Relationships

General Fund resources support organized crime, District Attorney assistance, Investigative Service Center, the Watch Center, Fusion Center, Commission on Statewide Law Enforcement, Environmental Crimes and Cultural Resources Unit, and portions of the ICAC and RAIN programs.

Other Funds from the Oregon Department of Human Services provide funding for the Cooperative Disability Investigations Unit. For any expense without a revenue source, the Legal Services Fund is charged; however, the Division does not rely upon the hourly legal service billings to other entities, which means that agencies paying the legal service hourly billing model subsidize the activities of this division.

Federal as Other Funds grants from the Oregon Department of Emergency Management provide funding for State Homeland Security Grant and the UASI. Federal funding includes federal asset forfeiture and federal grants to support the ICAC program.

Budget Environment

From July 2019 to June 2021, the Division prosecuted 297 cases, conducted 276 investigations, and provided 1,560 service assists by prosecutors and law enforcement. During the past year, the workload for the ICAC unit also grew, especially in the number of cyber tips received from the National Center for Missing and Exploited Children and requests for assistance from law enforcement agencies. From July 2019 to June 2021, the unit processed and evaluated 7,004 cyber tips and assisted in the investigation of 1,392 cases, which resulted in 68 arrests.

The Criminal Intelligence Unit and the Fusion Center offered case assistance covering a range of criminal activities, including amber alerts, illegal narcotics, homicides, public corruption, and terrorism-related crimes. The Fusion Center provided direct support to the Oregon Office of Emergency Management through the State Emergency Coordination Center (ECC) Critical Infrastructure Branch relating to various emergency activations, including COVID and wildfires. Since 2013, the ECRU has handled approximately 130 cases, of which 47 have been wildlife-related (36%).

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $34.5 million is $3.8 million, or 12.2%, more than the 2021-23 legislatively approved budget and includes 74 positions (73.51 FTE). The adopted budget included the following major budgetary investments or changes:

- $1.1 million Other Funds and three permanent full-time positions (3.00 FTE) for an Urban Area Security Initiative and State Homeland Security Grant programs.
- $1 million General Fund and two positions (2.00 FTE).
- $821,346 General Fund and three permanent full-time positions (2.63 FTE) for the investigation of organized retail theft.
- Changed the funding source of an existing Anti-Poaching Resource Prosecutor (1.00 FTE) by increasing General Fund by $604,479 and reducing Other Funds expenditure limitation by $604,479.
- $457,758 General Fund and one permanent full-time position (0.88 FTE) for an Animal Cruelty Resource Prosecutor.
- $172,135 General Fund and one Research Analyst 1 position (1.00 FTE) to correct an error in budgeting.
- $104,172 General Fund and $45,099 Federal Funds to reconcile intra-agency cost allocation charges and $27,595 General Fund, $9,981 Other Funds, and $1,174 Federal Funds for information technology hardware lifecycle replacement and licensing.

Crime Victim and Survivor Services Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	18,945,362	58,123,845	22,676,523	54,283,502
Other Funds	35,662,298	56,466,247	29,378,700	54,567,505
Federal Funds	61,224,759	78,974,672	21,785,089	60,904,713
Total Funds	**$115,832,419**	**$193,564,764**	**$73,840,312**	**$169,755,720**
Positions	48	55	47	63
FTE	44.42	49.12	44.05	60.77

Program Description

The Crime Victim and Survivor Services Division (CVSSD) compensates victims of violent crime for losses they sustain as a result of criminal actions. The Division administers and monitors grants from eight major funds, providing partial funding to nearly every non-profit and system-based victims program in the state. The Division also provides direct advocacy programs, monitors bias crimes, and collects restitution and criminal fines and fees on behalf of victims and the state.

The CVSSD is organized into the following sections/activities:

- Victim Response - oversees the victims' rights program, post-conviction advocacy program, and domestic violence resource prosecutor.
- District Attorney Victim Assistance Programs - advocates to help victims navigate the criminal justice system, understand their rights, and refer them to resources in their communities that offer support.
- Human Trafficking Intervention Program - created in Spring 2015, the program assists counties and tribal communities in developing the necessary infrastructure to identify trafficking victims, provides training and technical assistance for law enforcement and community partners, and assists with the development of victim service programs for trafficking survivors.
- Bias Crimes Program - provides a telephone hotline service to collect data concerning bias crimes and incidents.
- Sanctuary Violation Hotline Program (HB 3265, 2021) - provides a sanctuary reporting mechanism to receive reported information of alleged sanctuary violations and develop a cultural component for trauma informed support services.
- Hope Card program (HB 2746, 2021) - provides for the issuance of information cards regarding eligible civil protection orders.
- Crime Victims' Compensation - assists victims who sustain injuries resulting from criminal activity, including medical and counseling services, loss of earnings or support, funeral costs, transportation, and rehabilitation.
- Sexual Assault Victims' Emergency Medical Response Fund - assists victims of sexual assault to ensure they have access to an immediate medical exam and forensic evidence collection.
- Address Confidentiality - provides a substitute address for forwarding mail for victims of domestic violence, sexual assault, and stalking.
- Revenue Collections - facilitates the collection of restitution, court fees, and compensatory fines.
- Crime Victim Grant Management - provides grants to local public and private agencies to serve victims of violent crimes.
- Federal Victims of Crime Act - provides grant funds to state and local organizations for victims' assistance.

- Prosecutor-based Victim/Witness Assistance - provides grant funds for certified prosecutors' offices across the state that maintain local crime victims' assistance programs.
- Child Abuse Multidisciplinary Intervention - provides funds that provides state funds to 36 county teams and five regional service providers for a multidisciplinary approach to assessment, exams, interviews, investigations, training, and prosecution of child abuse cases.
- Regional Child Abuse Services - provides grant funds to five regional service providers to support and provide technical assistance to CAMI teams and others.
- Child Abuse Medical Assessment - provides funding to pay for child abuse medical assessments in certain cases.
- Domestic and Sexual Violence Services Fund - provides funding for victims of assault.
- Federal Violence Against Women Act - provides a formula grant program that provides funding for prosecution, advocacy, law enforcement, and court activities dedicated to stopping violence against women.
- Community Based Violence Prevention Program - provides violence prevention grants funded from ARPA moneys.
- Appellate Advocacy Program - provides support to victims in post-conviction appeal case and Psychiatric Security Review Board hearings as well as provides compensation for counseling and travel reimbursement, among other services.

Revenue Sources and Relationships
General Fund supports the Criminal Injuries Compensation Account, Child Abuse Multidisciplinary Account, Domestic and Sexual Violence Program, Address Confidentiality Program, a revenue shortfall in the federal Victims of Crime Act grant, funding to assist victims of domestic violence and sexual assault with housing assistance, community-based violence prevention grants, and assistance to victims of domestic violence and sexual assault with emergency shelter and safety planning.

Other Fund support comes from an allocation from the Criminal Fines Account for: (1) Child Abuse Multidisciplinary Account, (2) Regional Assessment Centers, (3) Criminal Injuries Compensation Account, and (4) Child Medical Assessments. The Division also receives punitive damage awards and restitution payments. Federal as Other Funds from the American Rescue Plan Act Coronavirus State Fiscal Recovery Fund moneys received by the Oregon Department of Administrative Services funds community-based violence prevention grants.

Federal Grant moneys received by DOJ include Victim of Crime Act, Violence Against Women, Sexual Assault Services, Children's Justice Act, and J.R. Justice. These federal grants are derived from penalty assessments levied against offenders in federal courts. The overall level of state and federal funding for domestic violence and sexual assault has increased significantly over the course of recent biennia.

Budget Environment
Victims of Crime Act (VOCA) funds are one part of Oregon's complex funding mix for providing services to victims of domestic violence and sexual assault, which includes General Fund, Criminal Fines Account, Other Funds (Department of Human Services marriage license fee), Federal Funds, and local funding. The overall level of state and federal funding for domestic violence and sexual assault has increased significantly beginning in 2013-15.

For the 2019-2021 biennium, the program received an average of 426 compensation claims per month and processed an average of 499 payments per month. Compensation payments totaled $5.8 million, down from $6.2 million during the 2017-19 biennium. For the 2015-17 biennium, the program received an average of 452 compensation claims per month and processed an average of 461 payments per month. Compensation payments totaled $5.8 million, which is down from the high of $8.7 million during the 2011-13 biennium. A major part of the decrease is attributed to child assessment centers not being as dependent on this program's funds since the

Oregon Health Plan now covers more uninsured children. The Address Confidentiality program forwards around 2,300 pieces of mail a month to approximately 2,279 participants.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $169.8 million is $23.8 million, or 12.3%, less than the 2021-23 legislatively approved budget and includes 63 positions (60.77 FTE). The adopted budget included the following major budgetary investments or changes:

- $38 million Federal Funds and three positions (2.76 FTE) for the Victims of Crime Act grant.
- $15 million Other Funds and three positions (3.00 FTE) for community-based violence prevention grants.
- $10 million General Fund and $10 million Other Funds in one-time funding to assist victims of domestic violence and sexual assault with emergency shelter and safety planning.
- $10 million General Fund for community-based violence prevention grants.
- $6 million General Fund in one-time funding to assist victims of domestic violence and sexual assault with housing assistance.
- $2.6 million General Fund and eight positions (8.00 FTE) for the Bias Response Hotline staff and the Sanctuary Hotline programs transfer from the Administration Division.
- $1.1 million Federal Funds and three positions (2.88 FTE) for a Human Trafficking Intervention grant.
- $238,108 Other Funds and one position (0.88 FTE) for the Bias Response Hotline Advocate.
- $154,381 General Fund reduction to abolish one permanent full-time Revenue Agent 2 position (1.00 FTE), with the savings used to establish a permanent full-time Accountant 2 in the Administration Division for grant management.
- $67,364 General Fund and $5,858 Federal Funds to reconcile intra-agency cost allocation charges and $8,454 General Fund, $2,621 Other Funds, and $3,195 Federal Funds for information technology hardware lifecycle replacement and licensing.
- $83,856 General Fund reduction by abolishing a permanent part-time Operations and Policy Analyst 3 (0.38 FTE) and reclassifying an existing permanent part-time Program Analyst 3 (0.42 FTE) to permanent full-time Program Analyst 3 (1.00 FTE).
- $47,720 General Fund reduction to Professional Services in the Persons Experiencing Trauma program.

General Counsel Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	64,246,472	79,713,208	88,387,427	88,920,218
Total Funds	**$64,246,472**	**$80,713,208**	**$88,387,427**	**$88,920,218**
Positions	163	178	177	177
FTE	158.99	171.54	176.76	176.76

Program Description

The General Counsel Division provides a broad range of legal services to state officials, agencies, boards, and commissions. State agencies generally are required to use the legal services of DOJ and may not contract with outside counsel or hire staff attorneys without DOJ approval. Staff provide oral and written legal advice, draft or review contracts and other documents, represent agencies in administrative hearings, and furnish legal opinions. The Division also handles some litigation and appellate work involving client agencies. State agencies generate varied and diverse legal issues. At the state government level, the Division provides agency legal trainings and publications, including holding a statewide law conference.

The Division is organized into the following sections:

- Business Transactions - provides legal advice for agency business transactions and public contracting, including areas of construction, real property, intellectual property, information technology, and other complex business transactions, such as investments, health insurance, guaranty, and surety contracts. This section also assists with the informal resolution of procurement and contract disputes.
- Business Activities - represents approximately 50 professional and occupational licensing and regulatory agencies, providing legal advice and representing them in regulatory and administrative enforcement proceedings. This work includes defending Oregon Occupational Safety and Health regulatory actions in administrative hearings.
- Government Services - provides a wide range of general legal services and advice to state agencies, including a variety of Oregon Department of Transportation programs and initiatives.
- Tax and Finance - advises state agencies regarding state revenue and finance (banking, investments, borrowing, loan negotiations, and other financial transactions), economic development, and employee benefits, including the Oregon Public Employees Retirement System. Provides tax advice and litigation for all types of personal, corporate, excise, property, and other taxes. Represents the Department of Revenue in Oregon Tax Court, appellate courts, and federal courts as well as with the federal Internal Revenue Service. This section also represents the State’s interest in certain administrative hearings.
- Natural Resources - provides legal services and advice, including representation in administrative hearings, for environmental and natural resource agencies.
- Labor and Employment - advises state agencies and semi-independent agencies and some public corporations. Provides legal advice and services, including litigation defense on labor and employment issues, state and federal employment law, and collective bargaining agreements.
- Human Services and Education - provides legal services and advice related to laws and regulations of state and federal health and welfare programs, including administrative litigation representation and marijuana and hemp regulation. This section is also responsible for advising the public health agencies responsible for the state’s pandemic response.

<u>Revenue Sources and Relationships</u>

Funds to support the General Counsel Division come from hourly billings to state agencies which pay these invoices using various revenue sources.

<u>Budget Environment</u>

The General Counsel Division work is in large part driven by the demands of client agencies. The legal work performed by this division has become more complex. Areas where workload increased in the past included COVID-19 pandemic response, wildfire response, marijuana taxation, water rights, Portland Harbor Cleanup Fund, Timber County Lawsuit, new state Corporate Activities Tax, and the Attorney General’s litigation against the federal government. The division also supports the Fair Housing Enforcement initiative (the revenue source is from legal service billings to the Bureau of Labor and Industries).

The 2021 and then the 2022 Legislature expressed concern about how the General Counsel Division can more effectively and directly support state agencies that incur high legal costs and that pose heightened litigation risk to the state. The division continues to pursue a Lead Contact Counsel pilot program that provides general legal services to only a select few large-scale agencies and at a higher cost to those participating agencies, as opposed to offering legal services tailored to the specific needs and risks of a broad array of agencies.

<u>Legislatively Adopted Budget</u>

The 2023-25 legislatively adopted budget of $88.9 million is $9.2 million, or 11.6%, more than the 2021-23 legislatively approved budget and includes 177 positions (176.76 FTE). The adopted budget included the following major budgetary investments or changes:

- $387,359 Other Funds and one Operations and Policy Analyst 3 position (1.00 FTE) for a Client Agency Legal Training Manager and to design and implement educational projects for the Attorney General.
- $376,536 Other Funds to reconcile intra-agency cost allocation charges and $63,400 Other Funds for information technology hardware lifecycle replacement and licensing.
- $247,429 Other Funds reduction and the abolishment of one position (1.00 FTE) which has been vacant for an indeterminate amount of time.

Trial Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	37,674,407	50,595,081	57,013,816	58,282,758
Total Funds	**37,674,407**	**50,595,081**	**57,013,816**	**$58,282,758**
Positions	114	135	137	141
FTE	112.39	130.49	136.01	139.53

Program Description

The Trial Division defends the State and its agencies, departments, boards, commissions, officers, employees, and agents in all state and federal trial courts. This includes defending state agencies and officials against tort claims, employment claims, cases alleging civil-rights violations, and other claims for money damages, representing state agencies in contract disputes and in the acquisition of land, defending the state in all trial court cases filed by prisoners, and defending state laws, ballot initiatives, and policies at the trial court level. The Division is also responsible for the state's defense in wrongful conviction cases.

The Division is organized into the following sections:

- Civil Litigation (jury trials) - provides tort litigation, employment disputes, commercial litigation, prisoner civil rights suits, condemnation, defending agency orders, professional certifications of police and public safety officers, and state Habeas Corpus cases. This section also defends district attorneys in civil lawsuits.
- Criminal and Collateral Remedies - litigates cases filed by a convicted person seeking a new trial or a re-sentencing from a trial court. This section seeks to uphold the convictions won by a district attorney when the case reaches a post-conviction or federal habeas challenge. This section also handles cases before the Psychiatric Security Review Board (conditional release or discharged to the community).
- Special Litigation - defends the state statutes and policies against constitutional challenges, challenges to ballot measures, state challenges of federal actions, class action lawsuits, and lawsuits involving timber, water rights, or protected species.

Revenue Sources and Relationships

Most of the revenue to support this Division is from billings to state agency clients. The Department of Administrative Services - Risk Management Fund is billed for the legal costs incurred by the Trial Division defending agencies, state government officials, and employees against certain claims that are self-insured by the state. However, some types of appeal cases heard in trial courts are filed by, or on behalf of, incarcerated persons and are charged against the General Fund appropriation for the Defense of Criminal Convictions (DCC).

Budget Environment

The program typically has around 1,400 non-criminal cases and 1,200 criminal cases. The State prevailed in 81% of cases, settled 15% of cases, and received an unfavorable result in 4% of cases. As outlined in the DCC discussion, the agency asserts that workload has grown and is likely to continue increasing with more cases filed, tighter deadlines, and increased complexity, due in part to active participation by the petitioners and counsel. This unit also handles mandamus cases and hearings before the Psychiatric Security Review Board.

The Civil Litigation Section (CLS) is the largest section within the Division and is responsible for defending the State's interests in a wide variety of cases that may be tried in state and federal courts. These cases range from complex disputes or legal arguments with far-reaching implications for the state to the business of settling more routine disputes that arise in the course of the State's business. CLS cases fall into five general categories: torts, employment, commercial disputes, prisoner civil rights lawsuits, and real estate condemnation. Amendments to the Oregon Tort Claims Act have increased the State's liabilities and financial risk in litigation.

The agency asserts there has been a substantial increase in the costs of litigation discovery and the need for discovery support within the Civil Litigation and Special Litigation Sections as a result of the extra work associated with electronic discovery and the threat of judicial sanctions if an agency does not fully comply with its discovery obligations.

Legislatively Adopted Budget

The 2021-23 legislatively adopted budget of $58.3 million is $7.7 million, or 15.2%, more than the 2021-23 legislatively approved budget and includes 141 positions (139.53 FTE). The adopted budget included the following major budgetary investments or changes:

- $1.1 million Other Funds and four positions (3.52 FTE) for the Special Litigation and the Civil Ligation Section's in-source cases that are currently out-sourced to private firms during periods of increased workload.
- $235,137 Other Funds to reconcile intra-agency cost allocation charges and $44,050 Other Funds for information technology hardware lifecycle replacement and licensing.

Defense of Criminal Convictions

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	27,529,256	34,980,433	44,915,371	43,759,708
Total Funds	**$27,529,256**	**$34,980,433**	**$44,915,371**	**$43,759,708**

Program Description

Defense of Criminal Convictions (DCC) is a budgetary unit used to track the cost of defending the State in cases in which sentenced offenders challenge their convictions or sentences. Personnel and resources connected to this work are part of the Trial and Appellate Divisions which bill this unit for work on individual cases.

Three types of cases are funded: (1) direct criminal appeals where the offender's challenge is that the trial court made a legal error that affected the conviction or sentence, (2) post-conviction challenges where the offender challenges the effectiveness of counsel, or (3) federal *habeas corpus* where the offender challenges violations of constitutional rights in the federal courts.

DCC also handles cases where the state appeals the dismissal of a criminal charge or the exclusion of evidence critical to the prosecution of a case. DCC also handles Psychiatric Security Review Board cases whereby DOJ attorneys represent the state in administrative hearings in "guilty except for insanity" cases involving a Ballot Measure 11 crime.

Budget Environment

Several factors drive the workload and costs of the Trial and Appellate Divisions in working DCC cases. These include:

- The number of contested criminal convictions is largely due to the number of offenders in the system.
- Resources available to other parts of the criminal justice system have an impact on the demand for these funds. If the amount of resources available for the Public Defense Services Commission (PDSC) programs

change, it can affect the number of appeals at the state level. The courts limit the amount of time that cases can be delayed. Timelines set by the Court of Appeals in the past few years have been met by DOJ and PDSC.

- If there are delays in the state appeals process, some offenders may appeal directly through the federal *habeas corpus* process where DOJ also defends the State's interest. Since public defender resources are greater at the federal level and cases are further developed, individual case costs for DOJ are greater.
- The complexity of individual cases is a major factor since it drives up the time spent on each case. Although DOJ receives few death penalty appeals each biennium, these cases are very complex and time consuming. DOJ is now handling over 20 active death penalty cases at various stages of litigation in state and federal courts. In addition, the first death penalty cases to reach the federal courts will continue to be actively litigated and further cases are expected to move from the state to the federal courts.
- The attorneys of the Appellate and Trial Divisions charge the DCC program for their work at the same rate as they charge other state agencies for legal work. Budgetary growth in this program in recent years has increased in part due to the increasing legal rate.
- When the U.S. Supreme Court issues significant rulings in the area of criminal law, there may be hundreds of state criminal convictions affected; significant rulings may require new appeals or new trials.

There are two possible outcomes in a direct appeal of a criminal conviction outcome or in post-conviction relief/federal habeas case: (1) The court denies petition for relief thereby upholding the conviction and sentence, or (2) the court grants petition for relief, reverses the judgement of conviction and orders either a new trial, a new sentencing hearing, or other relief, as the court deems necessary.

The Division has been reporting significantly higher expenditures for post-conviction relief (PCR) and federal habeas due to increasing PCR claims, increased used of expert witnesses, increased resources expended by PCR petitioners, increased length of Trial Memoranda, and the Court of Appeals redefining of "prejudice" and whether counsel acted reasonably. Concurrently, the cost for capital cases has been declining. SB 1013 (2019) limited the use of capital punishment to a narrow set of circumstances (e.g., terrorist acts and the murder of children or law enforcement officers) and now most such cases may not be prosecuted as capital aggravated murder cases, the only capital crime in Oregon.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $43.8 million is $8.8 million, or 25.1%, more than the 2021-23 legislatively approved budget. The adopted budget included the following major budgetary investments or changes:

- $1.1 million General Fund reduction to reflect DOJ's current caseload forecast for the DCC (March 2023).
- $50,000 General Fund for transcription fees (HB 2225).

The 2023 Legislature directed DOJ to consult with the Department of Administrative Services - Office of Economic Analysis to improve the accuracy of quarterly forecasting of the Defense of Criminal Convictions caseload by instituting a forecasting methodology like that used for corrections population forecasts.

Division of Child Support

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	37,298,939	52,295,841	52,027,814	55,779,579
Other Funds	26,785,548	22,737,290	23,951,546	23,852,109
Federal Funds	109,226,639	138,695,258	139,978,026	147,091,864
Total Funds	**$173,311,126**	**$213,728,389**	**$215,957,386**	**$226,723,552**
Positions	567	555	551	539
FTE	556.95	552.48	549.35	538.18

Program Description

The Division of Child Support (DCS) and Oregon Child Support Program (defined as the Division of Child Support plus local district attorney offices that contract with the DCS to provide services) locate parents and assets, establish paternity, establish, enforce, and modify child and medical support obligations, and receive and distribute support payments from absent parents. The Oregon Child Support Program provides these services automatically for families that are requesting, are receiving, or have received public assistance from the Oregon Department of Human Services (ODHS), if the child is in the care of ODHS's child welfare program or, until December 31, 2021, the Oregon Youth Authority, or if the case has been referred by another state. The program also provides these services to other families if they request the service.

The Division is organized into the following sections: (1) Director's Office, (2) Field Services, (3) Business Services, (4) Technical Services, and (5) District Attorney Child Support Subrecipient. The Division's mission is to locate parents and assets/collect financial information, establish paternity, establish child and medical support orders, ensure compliance with orders and collect payments, modify and adjust child support orders, manage accounting and recordkeeping, and receive and distribute collections. Compliance and collection tools include income withholding, new hire reporting, benefit payments withholding, interception of federal disbursements, state and federal tax refunds, lottery winnings, compliance agreements, bank data matches and garnishments, license restrictions (occupational, recreational, driver, etc.), liens on property and money awards, and federally mandated passport restrictions.

Revenue Sources and Relationships

General Fund resources provide matching funds. Federal Funds cover 66% of eligible program costs to maintain the child support program mandated under Title IV-D of the federal Social Security Act. A portion of Federal Funds are matching funds passed through to district attorneys for work they complete.

Other Funds revenue is generated through the recoveries for the Temporary Assistance to Needy Families (TANF) program, the Oregon Health Plan, and, until December 31, 2021, the Oregon Youth Authority. A portion of Other Funds are incentive funds received from the federal program.

There is a federally mandated annual fee when the family has not received TANF benefits. The $35 fee applies after $550 is collected and distributed to the family each federal fiscal year. The revenue collected by the Division is passed through to the federal government as program income at 66%. The 34% balance is split between the county child support offices (24 percent) and the division (10 percent). The Division does not get an administrative allowance for processing this collected fee.

Budget Environment

The Oregon Child Support Program serves roughly 159,000 families per year. District Attorney offices provided services to approximately 24% of these families and DOJ provides services to the other 76% of families, as they have related to public assistance cases or private cases whereby county district attorneys have chosen not to provide child support services, but rather contract with DOJ. In addition, 21 county district attorney offices contract with DOJ to provide child support services as part of the state-administered Oregon Child Support Program, down from 26 counties in 2014.

After the $140 million implementation of Child Support Enforcement Automated System (CSEAS), in the spring of 2021, DOJ-DCS notified the Legislature of a number of outstanding issues with CSEAS, which included: (1) the need to refactor (replace) some of the existing software code that was transferred from other states, and which later drove an Internal Revenue Service security finding, (2) the need to re-host or move CSEAS from a private vendor, on contract with the State Data Center, to handle overflow services, to an alternative hosting site, and (3) the need to extend for a second year an existing vendor contract to continue external operations and maintenance support of CSEAS.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $226.7 million is $13 million, or 6.1%, more than the 2021-23 legislatively approved budget and includes 539 positions (538.18 FTE). The adopted budget included the following major budgetary investments or changes:

- $2.5 million General Fund and $4.9 million Federal Funds.
- $2.3 million General Fund and $4.5 million Federal Funds.
- $733,790 General Fund and $1.4 million Federal Funds reductions and the abolishment of 12 positions (11.17 FTE).
- $683,784 General Fund and $1.3 million Federal Funds reduction.
- $350,449 General Fund and $680,283 Federal Funds for the external hosting of CSEAS.
- $226,580 General Fund and $439,832 Federal Funds to reconcile intra-agency cost allocation charges and $59,235 General Fund, $114,985 Federal Funds for information technology hardware lifecycle replacement and licensing.
- $20,639 Federal Funds reduction for a revenue shortfall Special Payments to the Office of the Governor for extradition services in the Arrest and Return Program.

Child Support Enforcement Automated System

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,726,101	--	--	--
Other Funds	5,517,869	--	--	--
Federal Funds	13,787,068	--	--	--
Total Funds	**$21,031,038**	**--**	**--**	**--**
Positions	27	--	--	--
FTE	21.54	--	--	--

Program Description

This program segregates the Child Support Enforcement Automated System (CSEAS) project from the agency's operating budget. Since 2010, the Division of Child Support has been working, with federal oversight, on a multi-year, federally prescribed process to replace its antiquated child support case management and financial system. In 2012, upon completion of a comprehensive business case (i.e., feasibility study report) and submission of the required "Implementation – Advanced Planning Document (IAPD) documentation" to the federal government, DOJ received approval to move forward with the replacement of the Child Support System (pending legislative approval of the proposed project). The CSEAS project was organized into the following sections: business and functional design, technology, organizational change management, policy analysis, and project management.

Revenue Sources and Relationships
Federal Funds provided 66% of eligible program costs under Title IV-D of the federal Social Security Act. Article XI-Q bonds and some federal incentive funds, received as Other Funds, provided state matching funds. General Fund had been necessary to fund expenditures deemed ineligible to be financed with Article XI-Q bonds.

Legislatively Adopted Budget
The budget for the CSEAS has been phased-out due to the completion of the project and ongoing operations and maintenance costs for CSEAS are budgeted under the Division of Child Support.

Debt Service and Related Costs

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	15,650,365	8,323,075	908,250	908,250
Other Funds	--	157,430	--	2,828,271
Total Funds	**$15,650,365**	**$8,480,505**	**$908,250**	**3,736,521**

Program Description
The Debt Service Program provides the funding to make payments on principal, interest, and financing costs associated with the issuance of Article XI-Q bonds, which are tax exempt government securities. These costs are exclusively associated with the CSEAS project. The purpose of the Debt Service program is to segregate Debt Service and financing costs from the agency's operating budget.

Revenue Sources and Relationships
The Department's debt service is funded with General Fund, which is associated with the State's portion of CSEAS costs. Bond issuance costs are paid as Other Funds from bond proceeds with agencies receiving net proceeds for project costs.

Budget Environment
Article XI-Q bonds for information technology projects are financed over a seven-year period. Debt service for the CSEAS budget was previously budgeted under the Division of Child Support.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $3.7 million is $4.7 million, or 55.9%, less than the 2021-23 legislatively approved budget. The adopted budget included $2.8 million Other Funds Debt Service for the Legal Tools information technology 3.0 project, which is to be funding as part of hourly legal billings to state agencies.

MILITARY DEPARTMENT

Analyst: Terpening

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	38,356,386	42,512,603	41,167,877	41,199,426
Other Funds	140,777,749	103,938,380	20,158,039	29,798,950
Other Funds (NL)	3,842,466	--	--	--
Federal Funds	705,254,646	322,900,041	142,251,590	149,374,969
Total Funds	**$888,231,247**	**$469,351,024**	**$203,577,506**	**$220,373,345**
Positions	524	488	487	494
FTE	466.00	484.96	438.30	455.62

Overview

The Oregon Military Department (OMD) is responsible for administration of the Oregon Army National Guard, the Oregon Air National Guard, and the Oregon State Defense Force.

The National Guard is a federal-state partnership with a dual mission:

- To provide combat-ready units and equipment in support of national defense.
- To provide units and equipment to protect life and property during natural disasters and civil unrest, as well as to provide backup support to law enforcement.

The National Guard serves on a day-to-day basis under the command of the Governor and is available to the federal government upon order of the President of the United States. The Department is overseen by an Adjutant General, appointed by the Governor to a four-year term. The Adjutant General also serves as the Governor's homeland security advisor and chief of staff of the Military Council. The federal government directly funds federal employees, guard member salaries and wages, and all equipment and equipment maintenance. The federal government also is a major source of funds for new construction of facilities, and for Homeland Security. The state's primary responsibility is to provide facilities and facility maintenance for the Oregon National Guard.

The Department operates two National Guard Bureau-funded educational programs: the Youth Challenge program and STARBASE program. Youth Challenge provides students at risk of dropping out of high school an opportunity to complete educational credits for graduation or to take the GED examination. The STARBASE program increases third through eighth grade students' awareness of the importance of math and science through learning about flight operations, weather reporting and forecasting, and electronics maintenance at Oregon's two military air bases and two regional training sites.

Formerly, the Office of Emergency Management (OEM) was housed within OMD, until passage of HB 2927 (2021) established the Department of Emergency Management as an independent state agency effective July 1, 2022. OEM accounted for most of the Federal Funds for emergency management, disaster recovery, and homeland security, and Other Funds, through the 9-1-1 emergency telephone program, in the Military Department's budget. The 2021-23 legislatively approved budget in the table above reflects part of the ODEM budget and position authority being transferred mid-biennium through HB 5202 (2022), and the remainder of the OEM funding and positions phased-out in 2023-25 current service level.

Revenue Sources and Relationships
The Department receives most of its funding ($149.4 million in 2023-25) from the federal government. These funds are used to finance the Department's major program areas and are based on federal/state cooperative agreements and federal grants. Also included are Federal Funds for major construction projects.

The Oregon National Guard and the Oregon Air National Guard receive direct federal support ($799 million in 2023-25) for funding federal employees (1,992 FTE), guard member salaries, wages, and equipment. Combined, federal and state expenditures for the National Guard in Oregon total more than $1 billion over the course of the 2023-25 biennium. General Fund supports wages and salaries of state employees, debt service, and state matching funds for various federal/state agreements.

The level of federal support in the state budget varies by program, type of facility, and type of construction project. For example, troop training sites are entirely supported by Federal Funds, as are base security and the STARBASE program. Approximately 75% of the costs associated with logistical sites and between 75% and 85% of utility, maintenance, and supply expenditures of the Air National Guard are federally funded. Oregon Youth Challenge Program costs are covered by federal funding at the 75% level. Federal Funds recovered through the agency's Indirect Cost Allocation Plan provide support for the Department's administrative costs.

Other Funds revenue received by the Department totals $29.8 million and is generated through facility rental fees and miscellaneous sales revenue. Rental revenues earned from federally supported facilities are required by the federal government to be used in support of the facility that earned it. The Department's facility rental revenue is estimated to be approximately $3.8 million in 2023-25. Miscellaneous sales revenues are derived from vending machine profit, coin operated telephones, and recycling programs.

The Oregon Youth Challenge Program (OYCP) had received revenue from the Bend-LaPine School District, through an enrollment calculation called Average Daily Membership (ADM), to meet its 25% state matching fund requirement. However, the impact of the COVID-19 pandemic on class sizes made the ADM revenue less reliable and the National Guard Bureau determined that ADM would not be accepted as eligible match going forward. As a result, the legislature passed SB 1034 (2023) which provides a carve out from the State School Fund prior to any allocations to school districts, to fund the Youth Challenge Program. Additional revenue for OYCP includes approximately $800,000 National School Breakfast and Lunch transfers from the Oregon Department of Education. Lastly, the budget includes Other Funds revenue from bonds issued for Capital Construction projects.

Legislatively Adopted Budget
The Military Department's 2023-25 total funds budget is $220.4 million, which is a 53% decrease from the 2021-23 legislatively approved budget due to the separation of OEM but is an 8.3% increase from the 2023-25 current service level. The General Fund portion is $41.2 million, less than a percentage increase from the current service level. The budget includes a total of 494 positions (455.62 FTE), six more than in 2021-23.

Significant changes in this budget include:

- $8.4 million of Article XI-Q bond proceeds and six-year capital construction expenditure limitation for two projects at the Owen Summers Building in Salem, an armory service life extension project and seismic strengthening and life safety improvements project. The seismic strengthening project has matching federal funds of $5.5 million from the National Guard Bureau. There is also $982,730 General Fund for the debt service payments on the bonds issued to pay for these projects.
- $2.8 million Federal Funds and $969,157 Other funds along with establishment of 22 positions (22.00 FTE) in the Installations Division for facility operations and maintenance and the wildland fire management programs.
- $545,632 General Fund and $90,393 Other Funds for a Chief Information Officer, payroll analyst, and position reclassifications.

- $458,836 Federal Funds to reclass five positions and establish three positions (3.00 FTE) for the STARBASE program.

Administration

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	5,489,498	9,242,709	10,264,882	10,738,847
Other Funds	2,042,283	3,212,270	3,406,323	3,480,920
Federal Funds	--	30,450	--	--
Total Funds	**$7,531,781**	**$12,485,429**	**$13,671,205**	**$14,219,767**
Positions	26	34	34	36
FTE	24.76	33.50	33.50	35.50

Program Description
The Administration program consists of the Command Group, Financial Administration, the State Personnel Office, and Public Affairs. The program supports over 2,500 state and federal Oregon Military Department and Oregon National Guard employees, commands over 7,800 soldiers and air personnel, and provides oversight for $4 billion worth of facilities and equipment.

Additionally, this program administers the Emergency Financial Assistance Program, which provides hardship grants and loans to National Guard members and their families. This program is funded with charitable check-off revenues from Oregon person income tax returns and occasional General Fund appropriations from the Legislature. Since its inception in the 2005-07 biennium, the fund has provided financial assistance to more than 1,000 individuals.

Revenue Sources and Relationships
The program is funded with a combination of General Fund and Federal as Other Funds. Other Funds revenue includes approximately $60,000 in Oregon individual tax check-off deduction revenue associated with the Emergency Financial Assistance Program.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $14.2 million is 13.9% greater than the 2021-23 legislatively approved budget and includes 36 positions (35.50 FTE). Changes to the Administration budget include $436,064 General Fund to establish a Chief Information Officer for the Department; and $109,568 General Fund and $90,393 Other Funds to establish a new payroll officer and for reclassification of two existing positions.

Operations

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	8,197,935	15,393,020	16,616,460	16,154,296
Other Funds	4,539,506	6,055,441	6,023,745	6,470,707
Other Funds (NL)	14,531	--	--	--
Federal Funds	99,037,784	113,885,741	118,419,655	119,623,300
Total Funds	**$111,789,756**	**$135,334,202**	**$141,059,860**	**$142,248,303**
Positions	360	365	364	366
FTE	311.80	316.80	315.80	328.12

Program Description
The Operations program supports Oregon National Guard facilities operations and maintenance. There are fourteen programs within Operations, including the Army National Guard Facilities Operations and Maintenance, Construction Operations, Environmental, Electronic Security, and Wildland Fire Management programs; and the Air National Guard Administration, Civil Engineering, Security, Fire Protection, Environmental, Distributed Learning, and Counterdrug programs. These programs and their component sub-programs are almost entirely federally funded, some with state matching requirements of 10-25%, depending on the program.

Revenue Sources and Relationships
The program area is funded primarily with Federal Funds. General Fund provides state matching payments for those programs with cooperative agreements requiring matching funds. The source of the Other Funds is primarily facility rental fees (approximately $3.8 million) but includes some Federal as Other Funds. Federal Funds are received through Federal/State Cooperative agreements to support the programs for which they are received.

Budget Environment
The Oregon National Guard currently has 484 buildings totaling 3.4 million square feet spread across the state in 27 counties. The largest of these facilities are fifteen training/logistical sites, two air bases, and 37 readiness centers/armories.

Major Oregon National Guard facilities include:

- Air National Guard Installations – Portland Airbase and Kingsley Field Airbase.
- Army National Guard Installations – Armories, Readiness Centers, Armed Forces Reserve Centers, and two aviation facilities.
- Unit Training Areas – Camp Rilea Armed Forces Training Center, Camp Adair, Central Oregon Training and Education Facility, Biak Training Center, Oregon Military Academy, Boardman Training Range, and Rees Training Center (formerly Camp Umatilla).
- Other – Oregon Youth Challenge educational facility in Bend and the Christmas Valley energy site, although this 2,655-acre property in Christmas Valley has been approved for possible sale by the legislature through HB 5006 (2023).

The age of some National Guard facilities, especially the armories, makes them inefficient and expensive to operate and maintain. The Department's strategy for addressing the worst of its facilities deferred maintenance is to replace them with new buildings. This strategy has proven to be successful in reducing the percentage of agency facilities in poor condition. The Department's 2021 Installation Status Report's Facility Condition Index asserts that 44% of its facilities statewide are in compliance with National Guard Bureau/Department of Army standards. Overall, 64% are in good-to-adequate condition, and 35% are in poor-to-unacceptable condition. Facility compliance with federal standards has improved in recent biennia as resources have been made available for repairs, maintenance, and improvements, and as federal construction funds have flowed to Oregon for major projects at Rees Training Center and Camp Rilea.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $142.2 million is 5.1% more than the 2021-23 legislatively approved budget and includes 366 positions (328.12 FTE). The legislatively adopted budget includes the following changes:

- $2.5 million Federal Funds expenditure limitation and 15 positions (15.00 FTE) to address necessary staffing for the Rees Training Center, as the primary training site, and increased maintenance requirements at Camp Rilea and Camp Withycombe.
- $969,157 Other Funds expenditure limitation, $277,408 Federal Funds expenditure limitation, and seven positions (7.00 FTE) to address increasing federal program management and support responsibilities at

the Rees Training Center and Camp Rilea training centers and to increase the agency's wildland fire protection capacity.

- The addition of $140,030 Other Funds expenditure limitation to pay the cost of issuance for $8,409,970 of Article XI-Q general obligation bonds authorized for capital projects (see Capital Construction section, below).

Community Support

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,298,626	1,217,876	1,504,645	1,421,873
Other Funds	8,588,856	10,179,170	10,727,971	10,716,353
Federal Funds	11,780,480	17,491,622	18,252,964	18,672,698
Total Funds	**$21,667,962**	**$28,888,668**	**$30,485,580**	**$30,810,924**
Positions	86	89	89	92
FTE	80.82	89.00	89.00	92.00

Program Description

The Community Support program coordinates support for local education programs and emergencies that require assistance of the National Guard. The unit includes:

- The Oregon Youth Challenge Program (OYCP) is operated by the Oregon National Guard through a federal/state agreement with the National Guard Bureau since 1994. OYCP is Oregon's only accredited statewide alternative high school and its only public military school for students at risk of dropping out of high school. It offers eligible high school-aged youth an opportunity to complete educational credits with a goal of reintegrating into high school to earn a diploma or to prepare for the General Education Development (GED) examination. The program is a 22-week residential training program offered through two classes per year, followed by a 12-month nonresident mentored program. The program's recently completed facility expansion allows for a maximum capacity of 240 students per class.

- The STARBASE program is designed to increase third through eighth grade students' awareness of the importance of math and science. National Guard members demonstrate the applicability of math and science to flight operations, weather reporting and forecasting, electronics maintenance, and firefighting facilities. The program operates at the Portland Air National Guard air base, at the Kingsley Field air base in Klamath Falls, at Camp Rilea in Warrenton, and at the Rees Training Center in Hermiston.

- Emergency Operations – In the event of a state emergency, the Governor can call upon the National Guard to provide personnel and equipment to help with the state's response. Historically, the largest mobilization of National Guard personnel and assets occurred in 2020, when the Governor mobilized Guard members for crowd control missions in support of the City of Portland and the Oregon State Police, for wildfire response, and for response to the COVID-19 pandemic.

Until the 2021-23 legislatively adopted budget, the Emergency Operations budget structure was a "placeholder," used only in the event of reimbursable emergency operations having taken place. The Department's legislatively adopted budget did not normally include funding for Emergency Operation expenses, as they are difficult to predict. Therefore, the Department has, historically, requested expenditure limitation increases for amounts it is unable to absorb within its normal operating budget, as well as General Fund reimbursement of expenditures. Revenues for Emergency Operations come as Other Funds from state agencies the National Guard is supporting, most often the Department of Forestry. HB 2927 (2021) added $5 million Other Funds expenditure limitation to the Community Services program for Emergency Operations.

Revenue Sources and Relationships
The program is funded almost entirely with Other Funds and Federal Funds, with a small amount of General Fund available for budgeted expenditures not covered by Federal or Other Funds. The STARBASE program is 100% federally funded through the National Guard Bureau. The Oregon Youth Challenge program is 75% federally funded, with a required 25% state match. Historically, the state match was funded through Average Daily Membership (ADM) revenues through the Bend-La Pine School District. However, the impact of the COVID-19 pandemic on class sizes made the ADM revenue less reliable and the National Guard Bureau determined that ADM would not be accepted as eligible match going forward. As a result, the legislature passed SB 1034 (2023) which provides a carve out from the State School Fund prior to any allocations to school districts, to fund the Youth Challenge Program.

Budget Environment
In 2015, the Legislature approved $5 million of Article XI-Q bond funding to enlarge the OYCP facility to house 24 additional female cadets and 60 additional male cadets per 22-week residential class. While the expansion was completed in early 2020, the COVID-19 precautions prevented the facility from operating at its new full capacity and contributed to staff vacancies. As mentioned above, this reduced enrollment resulted in the National Guard Bureau's decision to modify the eligible state match for this program. In the 2023-25 biennium, the program is anticipating enrollment to remain steady at 180 per class and begin increasing in the 2025-27 biennium as additional staff are hired. At full capacity, the necessary state match would be $4.3 million.

The STARBASE program expanded to Camp Rilea in 2019 and Rees Training Center in 2021. It is estimated to serve 18 school districts and provide 25 hours of Science, Technology, Engineering, and Mathematics curriculum to about 12,780 students during the 2023-25 biennium.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $30.8 million is 6.7% higher than the 2021-23 legislatively approved budget and includes 92 positions (92.00 FTE). Budget changes include $458,836 Federal Funds expenditure limitation to establish three new positions and reclassify five existing positions in the STARBASE program. These position actions are necessary to align with federal staffing standards, which requires each of Oregon's four STARBASE program locations to have a supervisor and an office manager on-site.

Debt Service

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	11,317,429	13,493,465	12,781,890	12,884,410
Other Funds	290,156	100,910	--	721,000
Other Funds (NL)	3,827,935	--	--	--
Total Funds	**$15,435,520**	**$13,594,375**	**$12,781,890**	**$13,605,410**

Program Description
The Debt Service Program provides funding for principal and interest costs associated with the issuance of Article XI-Q bonds to finance capital improvements.

Budget Environment
The Department relies on bond proceeds to match National Guard Bureau Federal Funds when constructing, altering, or repairing National Guard installations. The percentage of state matching funds required varies by the type of installation. Bonds provide financing for federally non-allowable project costs, which, for example, include the cost of real property. Bonds also fund certain armory additions/alterations that are a 100% state responsibility. The Department's debt service is funded primarily with General Fund.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $13.6 million is less than a percentage difference from than the 2021-23 legislatively approved budget. Overall, the General Fund for debt service increased by $102,520 from 2023-25 current service level due to both revised debt service estimates for existing debt and new debt service requirements on planned issuance of $8,409,970 of Article XI-Q bonds during the 2023-25 biennium. Other Funds debt service expenditure limitation was established for $721,000 to use Other Funds savings to offset the need for General Fund to pay for debt service on outstanding general obligation bonds.

Capital Improvements

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	--	200,000	--	--
Federal Funds	5,130,704	5,354,100	5,578,971	5,578,971
Total Funds	**$5,130,704**	**$5,554,100**	**$5,578,971**	**$5,578,971**

Program Description
This program provides funding for capital improvements to existing facilities. Capital improvement projects are those with a total cost of $1 million or less. The Department's capital improvement projects are overseen and coordinated by agency construction staff budgeted in the Operations Program.

The Capital Improvement Program's primary purpose is to address the Department's backlog of deferred maintenance projects, currently estimated at approximately $161 million on 3.4 million square feet of facility space. Capital improvement expenditures are planned to delay facility replacements, wherever possible. This is important for certain installations, especially armories, where the replacement schedule is dependent upon the National Guard Bureau's Long-Range Construction Plan and Congressional funding of that plan.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $5.6 million is 4.2% more than the 2021-23 legislatively approved budget but was approved at the current service level.

Capital Construction

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	21,927,000	14,990,840	--	8,409,970
Federal Funds	56,860,000	31,800,000	--	5,500,000
Total Funds	**$78,787,000**	**$46,790,840**	**--**	**$13,909,970**

Program Description
The Capital Construction program plans, designs, and constructs facilities projects with a cost of more than $1 million. Since 1986, the Department has undertaken 80 major construction projects that have brought more than $302 million in federal support to Oregon. The Department currently has 20 projects identified in the National Guard Bureau's Long-Range Construction Plan, which will bring additional federal construction dollars into the state through 2050.

Revenue Sources and Relationships
Typically, Federal Funds provide the majority of construction funding. In general, Other Funds and General Fund are used only for required matching funds for projects. State funds also pay for certain costs ineligible for federal

match (e.g., real property, local permitting, etc.). The sources of Other Funds are either bonds or the Department's Capital Construction Account, which is discussed below.

Depending on the type of facility constructed, the federal government pays between 67% and 100% of the approved construction cost. By emphasizing construction of Armed Forces Reserve Centers (AFRC) wherever possible, the Department can access Federal Funds for up to 90% of the design and construction costs. Site improvements and multi-purpose accommodations outside the federal guidelines are 100% state obligations. Where possible, the Department partners with other federal, state, or county agencies to co-locate functions. This reduces the Department's design and construction cost obligations and reduces the long-term operations and maintenance burden of each agency.

The Military Department Capital Construction Account (CCA) is a statutory, interest-bearing account into which proceeds from the sale of Military Department real property are deposited. The Department requires legislative approval to dispose of surplus property. Moneys in the CCA can only be used for Capital Construction expenditures on legislatively approved projects, which include: (a) paying for construction costs that are a state obligation outside federal guidelines; (b) state matching requirements on federal Capital Construction funding; and (c) miscellaneous land acquisitions. The Capital Construction Account generally has an insufficient balance to meet matching fund requirements on major construction projects.

Some of the Department's real property originally donated by counties is on a reversion clause, which requires that the land returns to the county if the Department determines it is no longer needed for military purposes.

Of all the Department's programs, the Capital Construction program is the one most likely to be affected by shifting federal priorities. The Legislature is frequently requested to add projects or transfer limitation between existing projects; such changes may require additional state matching funds. The fluidity of the Department's capital projects as compared to other state agencies' capital projects underscores the influence federal funding has over its budget. It also underscores the need for OMD to frequently communicate short- and long-term Capital Construction priorities to the Legislature.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget of $13.9 million is 70.3% decrease from 2021-23 legislatively approved budget level due to removal of a significant amount of federal funding that was made available in 2021-23 for capital construction projects including a new Readiness Center in Washington County and barracks and guard shack construction at Rees Training Center (formerly Camp Umatilla).

Article XI-Q bond financing for the following projects is included in the 2023-25 budget:

- $2,909,970 for additions and improvements to the Owen Summers building through the Armory Service Life Extension Program, including roof replacement and elevator modernization.
- $5,500,000 to address seismic issues and life safety improvements for the Owen Summers building.

Federal Funds finance the following projects:

- $5,500,000 for the Owen Summers building seismic issues and life safety improvements as part of the federal match share for this project.

Finally, the legislature approved the Department's proposal to potentially sell the Christmas Valley property, consisting of 2,655 acres.

BOARD OF PAROLE AND POST-PRISON SUPERVISION

Analyst: Coates

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Funds	8,664,534	11,629,057	11,794,572	13,407,170
Other Funds	23,999	12,184	12,696	12,696
Total Funds	**$8,688,533**	**$11,641,241**	**$11,807,268**	**$13,419,866**
Positions	25	30	28	30
FTE	24.16	28.50	28.00	30.00

Overview

The Board of Parole and Post-Prison Supervision (Board) works within the criminal justice system to achieve the following: protect the public, reduce the risk of repeat criminal behavior (through decisions concerning incarceration and evidence-based community supervision and intervention), and ensure legal integrity. Its partnerships with the Department of Corrections and local supervisory authorities, victim involvement, support, and stakeholder involvement inform its release and post-prison supervision decisions.

Revenue Sources and Relationships

General Funds fund the agency, and a small amount of Other Funds revenue (less than .01%) is generated from the sale of documents and hearing tapes to members of the public and inmates/offenders and court-ordered fees paid to the Board. The Board carries a nominal ending fund balance due to its nature as a General Fund agency.

Budget Environment

The agency's mission is to protect the public and reduce the risk of repeat criminal behavior (through decisions concerning incarceration and evidence-based community supervision and intervention).

Legislatively Adopted Budget

The legislatively adopted budget for the Board is $13,407,170 General Fund and $12,696 Other Fund and 30 positions (30.00 FTE), which represents a 13.3% increase from the 2021-23 legislatively approved budget. The legislatively adopted budget reclassed one Office Specialist 1 position to an Administrative Specialist 1 to facilitate policies and procedures and laws regarding warrants, the status of warrants, issuing warrants, and clearing warrants for offenders and reclassed one Information Services Specialist 5 (ISS 5) to an ISS 7 to provide project management and oversight for new technology and business processes. In addition, the adopted budget provided resources for the Electronic Conversion of Offender Records. The cost of this records conversion is estimated to be $460,088 General Fund.

The adopted budget also established one limited-duration Administrative Specialist 2 (1.00 FTE) and one limited-duration Correctional Hearings Officer (1.00 FTE) to facilitate release hearings for individuals who committed their crimes as juveniles. The release hearings are administrative and include psychological risk assessments and post-sentence investigations. The cost of these additions is $953,897 General Fund. The legislatively adopted budget also includes $322,600 General Fund for the payment of legal representation for juvenile commutation and adults in custody who have hearings before the Board.

DEPARTMENT OF STATE POLICE

Analyst: Terpening

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	282,653,128	536,746,711	448,644,496	466,051,223
Lottery Funds	7,447,482	11,317,795	11,561,965	9,395,685
Other Funds	230,979,130	306,987,699	117,067,387	180,858,689
Federal Funds	6,768,347	17,483,246	13,937,008	14,585,952
Total Funds	**$527,848,087**	**$872,535,451**	**$591,210,856**	**$670,891,549**
Positions	1,427	1,502	1,341	1,372
FTE	1,387.54	1,467.89	1,340.00	1,370.15

Overview

The Oregon Department of State Police (OSP) protects the people, property, and natural resources of the state. The agency enforces traffic laws on state highways, investigates and solves crimes, conducts forensic analysis and post-mortem investigations, and provides background checks and law enforcement data. Key programs include patrol, criminal investigations, enforcement of fish and wildlife laws, and enforcement of tribal gaming laws and the Lottery. OSP is the only provider of certain specialized public safety and criminal justice system services in Oregon, including forensic lab services, the State Medical Examiner, and criminal justice information systems.

Legislatively Adopted Budget

The 2023-25 legislatively adopted total funds budget is $670.9 million, with $466.1 million General Fund, $180.9 million Other Funds, $9.4 million Lottery Funds, $14.6 million Federal Funds, and 1,372 positions (1,370.15 FTE). General Fund support decreased by 13.2%, and the total funds budget decreased by 23% over the 2021-23 legislatively approved budget. The primary reason for the General Fund and total budget decreases is the separation of the Office of the State Fire Marshal into its own independent agency in 2023-25. The 2021-23 legislatively approved budget for the State Fire Marshal totaled $172.4 million, including $116.3 million of General Fund which is phased out for the 2023-25 current service budget level.

When compared to the current service budget level, the 2023-25 legislatively adopted budget increased by 13.5% with General Fund increased by 3.9%. Additionally, the state economic and revenue forecast precipitated a 17% reduction in Measure 76 Lottery Funds that OSP receives as part of the Fish and Wildlife Division enforcement, which has been backfilled with General Fund. Overall, the Department's budget funds 611 troopers, 155 sworn non-trooper positions, and 606 non-sworn positions.

General Fund investments included:

- $4.5 million for critical equipment like tasers and ballistic vests as well as lifecycle replacement of computers and Mobile Data Terminals.
- $3.1 million and 4 positions (3.52 FTE) to support the Office of the Chief Medical Examiner.
- $3.1 million for the lease of long-term storage at the state-owned North Valley Complex in Wilsonville.
- $2.6 million and 14 positions (13.63 FTE) for funding of unbudgeted positions across the agency that were established due to program growth and workload demand but had previously been funded through trooper vacancies. By addressing these operational shortfalls throughout the agency, the Department will be able to hire 20 trooper positions formerly held vacant to fund other work.

- $1.8 million and 10 positions (10.00 FTE) of one-time funding to address backlogs in firearms background checks.

Fund shifts and backfills included:

- $3.8 million General Fund and 7 positions (7.00 FTE) to backfill budget shortfalls due to the separation of the State Fire Marshal.
- $2.2 million General Fund to backfill Measure 76 Lottery Funds revenue lost due to the state economic and revenue forecast.

Other significant investments in the State Police budget included:

- $55.8 million of Article XI-Q bond proceeds and six-year capital construction expenditure limitation to remodel and expand the Central Point Office, build a new forensic laboratory and medical examiner office in Springfield, and build a new Patrol Area Command office in Springfield. $676,814 of this amount pays the cost of bond issuance. $5.7 million General Fund was provided for debt service payments in the 2023-25 biennium.
- $2.5 million Other Funds from the American Rescue Plan Act Coronavirus State Fiscal Recovery (ARPA) Fund for the non-bondable costs of capital construction projects, deferred maintenance, and safety improvements.
- $3.1 million Other Funds to purchase 200 new intoxylizers through grant funding from the Oregon Department of Transportation.
- $2.1 million Other Funds for the purchase of a new airplane and Guardian ocean-vessel.

Several budget actions occurred because of the separation of the Office of the State Fire Marshal (OSFM) to an independent agency and are not discussed separately in the individual narratives below. These actions were:

- An agency-wide reallocation of State Government Service Charges resulting in a net increase of $2.1 million General Fund, $9,970 Lottery Funds, $378,925 Other Funds expenditure limitation and a reduction of $7,609 Federal Funds expenditure limitation.
- $1.2 million General Fund for rent expense to backfill Other Funds revenue previously received from OSFM.
- $500,251 General Fund and $1,528,389 Other Funds expenditure limitation and 7 positions (7.00 FTE) to backfill a revenue shortfall from OSFM.

Patrol Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	117,869,618	184,858,183	207,420,786	204,158,390
Other Funds	72,633,575	33,826,026	17,425,354	17,442,033
Federal Funds	148,120	1,073,858	443,190	435,581
Total Funds	**$190,651,313**	**$219,758,067**	**$225,289,330**	**$222,036,004**
Positions	543	548	530	530
FTE	534.25	527.25	529.50	529.50

Program Description

The Patrol Services Division provides uniformed police presence and law enforcement services throughout the state with primary responsibility for traffic safety and response to emergency calls on Oregon's state and interstate highways. This Division includes the field command and support staff as well as the Capitol Mall Security and Dignitary Protection units. The Division works with city and county law enforcement agencies by assisting with emergency calls for services, providing crash reconstruction specialists, drug recognition experts, and Special Weapons and Tactics Teams. The Division also works with the Oregon Department of Transportation's (ODOT) Traffic Safety Section. Research has shown that traffic accidents account for about 25% of the congestion on the highway system, and motor vehicle traffic injuries are one of the leading causes of death and hospitalization in Oregon - the leading cause of death for people between the ages of 5-24 years. The Patrol Division's traffic enforcement priorities center on impaired driving, speed, occupant safety, lane safety, distracted driving, and commercial vehicle investigations.

Revenue Sources and Relationships

The majority (92%) of the Patrol Division budget is funded by the General Fund. Other Funds revenues totaling $20 million are received from various other entities, and include:

- $8.5 million from ODOT for a variety of purposes, including traffic safety patrols in highway construction zones, snow-park enforcement, and DMV vehicle identification (VIN) inspections and Ignition Interlock Device program.
- $10.7 million from the Legislative Administration Committee and the Department of Administrative Services for Capital Mall security, including in the Capitol Building and the Supreme Court Building.
- $0.8 million from various fees, fines, and civil penalties; and from other state agencies including the State Parks and Recreation Department and the Oregon State Fair.

Budget Environment

The Patrol Division's major cost drivers are personnel costs, fuel, equipment, patrol vehicles, vehicle maintenance, and facilities. Despite efficiencies resulting from technology improvements including computer-aided dispatch, mobile computers in patrol vehicles, and electronic citations and crash reporting, staffing levels have not kept pace with growth factors directly affecting transportation safety, including increases in population, licensed drivers, registered vehicles, and miles traveled on state highways. Oregon is ranked 40th in the number of troopers per capita compared with all other states (up from 49th last biennium). Retirements and increased competition for new public safety officers continue to affect the Division's service capacity; currently, none of the patrol field offices maintain 24/7 patrol coverage. Due to the limited number of available troopers, recent years have seen approximately 10.5% of calls for service go unanswered, with some of these calls transferred to another police agency.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Patrol Division of $222 million total funds is 1% greater than the 2021-23 legislatively approved budget. The General Fund portion of the budget ($204 million) is 10% higher than 2021-23, however it is a 1.5% decrease from the current service budget level. The budget provides funding for 372 troopers in the Patrol Division and includes $2.4 million General Fund for the replacement of ballistic vests and tasers for all sworn positions.

Fish and Wildlife

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	9,934,650	11,415,280	11,955,603	14,166,286
Lottery Funds	7,447,482	11,317,795	11,561,965	9,395,685
Other Funds	29,456,792	34,568,020	34,576,218	36,724,764
Federal Funds	1,525,577	2,693,181	2,898,534	2,899,202
Total Funds	**$48,364,501**	**$59,994,276**	**$60,992,320**	**$63,185,937**
Positions	142	130	130	131
FTE	132.62	130.00	130.00	131.00

Program Description

The Fish and Wildlife Division is the single enforcement entity designated by law to protect fish and wildlife resources in Oregon. The Division's officers have special training in fish and wildlife law enforcement and are stationed throughout the state. These officers are often the only law enforcement presence available in some of Oregon's rural communities. In addition to fish and wildlife law enforcement, they also enforce traffic, criminal, boating, livestock, and environmental protection laws, and respond to emergency situations. OSP Fish and Wildlife officers work closely with the Department of Fish and Wildlife (ODFW), the Water Resources Department, and the Marine Board in the enforcement of their rules.

Revenue Sources and Relationships

Lottery Funds (Measures 76) are distributed to this Division to fund enforcement activities associated with the allowed constitutional uses including protecting fish habitat and stream bed enhancement. Other Funds revenues are received from various sources, with the primary source a service contract with ODFW ($35.2 million.) The Division also has smaller service contracts with the Oregon State Marine Board ($2.1 million) for enforcement of boating laws, the Parks and Recreation Department ($1 million) for activities on the Deschutes River and for ATV enforcement, and the Department of Environmental Quality ($367,000) for environmental investigations. Federal Funds are primarily received through National Oceanic Atmospheric Administration Joint Enforcement Agreements ($2.9 million).

Budget Environment

Fish and Wildlife troopers work in partnership with other state and federal natural resources agencies to enforce protection of Oregon's finite, and in some cases declining, fish and wildlife resources. Increasingly, the Division is called upon to investigate other types of natural resource violations, such as fill and removal, water quality and quantity, and forest practices violations. Specialized units within the Fish and Wildlife Division include the Special Investigations Unit, which conducts in-depth investigations of those violating Oregon's fish and wildlife laws; the Marine Fisheries Team; and a team responsible for enforcement issues related to the Oregon Plan, which is designed to restore threatened or endangered salmon and steelhead to sustainable levels.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Fish and Wildlife Division of $63.2 million total funds is 5.3% greater than the 2021-23 legislatively approved budget. The budget added $2.1 million Other Funds from asset sales to replace the agency's one ocean-going vessel and one of the Cessna aircraft. The Division also had an increase of one position (1.00 FTE) that is supported by a federal grant that had been approved in 2021-23, but only Federal Funds limitation had been provided and not the corresponding position authority.

Criminal Investigations

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	5,854,024	34,394,069	37,384,804	37,352,506
Other Funds	42,554,948	19,107,065	18,050,304	18,047,415
Federal Funds	652,218	3,911,934	916,038	1,569,392
Total Funds	**$49,061,190**	**$57,413,068**	**$56,351,146**	**$56,969,313**
Positions	135	118	118	118
FTE	135.00	117.52	118.00	118.00

Program Description

The Criminal Investigation Division provides investigative services that support criminal justice agencies statewide. Investigations include intrastate and multijurisdictional crimes related to drug trafficking, arson, explosives, acts of terrorism, and major crimes. The Division also provides specialized investigative support from polygraph examiners and crime analysts. The Division has jurisdiction over crimes at all state institutions and routinely conducts sensitive criminal investigations involving public officials. The Division deploys resources throughout the state to participate in local major crime teams, multi-disciplinary child sex abuse teams, interagency drug teams, and fire and explosives investigative teams.

Revenue Sources and Relationships

Ballot Measure 110 (2020) changed the statutory allocations of Marijuana Tax revenues to state agencies, including OSP. Prior to Ballot Measure 110 (2020), 75% of the Division's budget was supported with Marijuana Tax revenues, however in 2021-23 the Legislature backfilled with General Fund and for 2023-25, the Division received $15.3 million from the Oregon Marijuana Account. Other revenues include arson investigation funding ($4 million Other Funds) from the Department of the State Fire Marshal from Fire Insurance Premium Tax revenue; fees from records requests, civil penalties, and state seizures ($600,000 Other Funds); revenues from intergovernmental agreements for services ($1.5 million Other Funds); and federal funds for drug enforcement and grant programs ($1.6 million Federal Funds.)

Budget Environment

The major workload driver for this Division beyond the crime rate is the capacity and specialized expertise of local law enforcement agencies and their willingness to use OSP resources. State Police detectives are deployed across the state, but the larger local law enforcement agencies have many more resources available than smaller agencies. For eastern Oregon, the coast, and other more rural areas of the state, OSP sometimes is the primary resource available to assist local jurisdictions with investigation of major crimes.

The Department asserts that the workload and the complexity of investigations has remained high in all areas, including drug enforcement, major/violent crimes, sex abuse crimes, polygraph, and public official corruption cases. During 2020-21, the Division conducted over 9,000 investigations, including 1,735 investigations related to drug enforcement, 381 related to explosives, and 362 related to fires; 3,108 child abuse investigations; and 98 computer forensics investigations. In the 2021-23 biennium, detectives participated in county child abuse multi-disciplinary teams; 26 interagency major crime teams; 13 interagency drug task forces; and one drug/fugitive task force. Additionally, this division is faced with the volume and increasingly complex nature of digital evidence seized, and with increasing calls to assist with crimes involving illegal marijuana grows, which can include water theft, trespassing, and environmental destruction in addition to specific marijuana-related criminal offenses.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $57 million total funds is less than 1% below than the 2021-23 legislatively approved budget. This budget includes $650,000 Federal Funds expenditure limitation carried forward from 2021-23 for a voluntary cardiac health assessment screening program.

Forensic Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	47,254,369	54,908,257	58,876,078	58,783,378
Other Funds	445,176	2,400,107	420,503	3,566,869
Federal Funds	1,499,758	3,807,159	4,001,932	4,002,054
Total Funds	**$49,199,303**	**$61,115,523**	**$63,298,513**	**$66,352,301**
Positions	138	138	138	138
FTE	137.76	138.00	138.00	138.00

Program Description
The Forensic Services Division supports the criminal justice system by providing forensic analysis of evidence related to crimes. Scientific analysis and expert testimony assist judges and juries with determining guilt or innocence. The Division provides analysis and investigative assistance in several disciplines, including biology, chemistry, toxicology, crime scene investigation, DNA, latent prints, firearms, and tool marks. The Division operates five forensic laboratories, which are located in Bend, Central Point, Pendleton, Portland, and Springfield. The Division also operates an Implied Consent Unit which provides a breath alcohol testing program and instruments for law enforcement to use when a person is arrested for impaired driving. As Oregon's only full-service forensic laboratory system, 92% of the Division's work is for law enforcement agencies other than the State Police.

Revenue Sources and Relationships
The forensics labs do not charge for services and are funded primarily with General Fund. Just over $351,000 Other Funds revenues are from the Criminal Fine Account to support the Implied Consent Breath Test program. Federal Funds represent grants from the National Institute of Justice, generally for the purchase of laboratory equipment, supplies, and DNA test kits.

Budget Environment
The Forensics Division conducted analyses on 58,115 evidentiary submissions in the 2019-21 biennium and 44,742 in 2021-23. In prior biennium, submissions numbered closer to 60,000 or more, but the Department had to implement restrictions discouraging evidence submission, put in place to address workload issues in the forensic labs. The Division completes analytical requests within its 30-day turnaround time goal roughly 17% of the time (based on the January 1, 2022 through June 30, 2022 timeframe). Delays are caused by increasing numbers of requests, staff turnover, increasing demands from law enforcement, and emerging drug trends.

DNA analysis of biological evidence has proven to be one of the most significant forensic tools for the criminal justice system available. On average, there is one "hit" in the DNA database for every 21 offender submissions, with a nearly 53% "hit" rate in burglary cases. A reduction in the Forensics Division's backlog of cases, improvements made in the DNA and Toxicology units, and the completion of training for a large group of new analysts is anticipated to allow the Division to re-start its high-throughput property crime program. Many states limit DNA analysis to person crimes; Oregon accepts DNA evidence from property crimes, but prioritizes person crimes, which has led to large backlogs and long turn-around times for property crime cases. In an attempt to mitigate the backlog of evidence, the Division is working with law enforcement agencies across the state to collect property crime evidence and submit it in a standardized manner.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $66.4 million total funds is 8.6% greater than the 2021-23 legislatively approved budget and 4.8% above the current service budget level. This budget includes $3.1 million Other Funds expenditure limitation for the purchase of 200 intoxilyzer instruments to replace the 180 units currently in use. Funding for this new equipment is provided by a grant from the Oregon Department of Transportation.

Office of the State Medical Examiner

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	6,688,497	9,778,687	11,440,960	14,425,389
Other Funds	186,355	455,925	316,148	316,148
Federal Funds	283,090	--	--	--
Total Funds	**$7,157,942**	**$10,234,612**	**$11,757,108**	**$14,741,537**
Positions	13	29	29	33
FTE	12.50	27.16	28.50	32.02

Program Description
The Office of the State Medical Examiner is located in Clackamas and provides direction and support to the state death investigation program. The Office is Oregon's sole source provider of forensic pathology services and is responsible for the investigation of all deaths due to homicide, suicide, accident, drug overdose, deaths in state custody, deaths on the job, and natural deaths occurring while not under medical care. The Chief Medical Examiner manages all aspects of the state medical examiner program and has responsibility for technical supervision of county offices in each of the 36 counties of Oregon. The Office oversees roughly 13,100 death investigations, up from prior biennia of around 9,700, maintains records, and provides training on death investigations to medical school physicians and students, law students, police officers, and emergency medical technicians.

Revenue Sources and Relationships
Other Funds revenues for the Medical Examiner include payments for building support from the three Portland - metro area counties, and fees charged for autopsy reports.

Budget Environment
The Medical Examiner's Office is involved in determining the cause and manner of death in more than 13% of all deaths that occur in Oregon. In addition to investigating deaths, the State Medical Examiner oversees a statewide medical examiner system. This system is comprised of 36 county medical examiners, each with a different method of funding and staffing for their respective offices. Each county office is overseen by a county medical examiner who is a physician/coroner with varying degrees of death investigation experience. The death investigators are, for the most part, law enforcement personnel whose priority is police work. Most of the death investigators perform only one or two medical examiner investigations a year. Therefore, their experience in death scene investigations is extremely limited and may leave them inadequately prepared. Further, due to differing levels of resources dedicated to death investigation between urban and rural counties, equitable distribution of these professional resources is not achieved.

Generally, the workload for the Medical Examiner's Office increases based on population growth in Oregon, where about 1% of the population dies each year. While the most recent census indicates population has started to decline, as noted above the death rate has increased substantially and a backlog of autopsies has developed, limiting the Office's ability to perform autopsies on deaths other than those under investigation for homicide. Even though the 2021-23 biennium saw the Office's staffing levels more than double, from 13 to 29 positions, part of the issue is the ability to recruit and retain positions. The Medical Examiner field is very limited and competitive and Oregon's compensation, facilities, and increasing workload have made recruitment a challenge.

Legislatively Adopted Budget
To attempt to address the Office's competitiveness on the job market among its peers, and the growing workload, the 2023-25 legislatively adopted budget was increased by 44% over the 2021-23 legislatively approved budget to $14.7 million total funds and includes four new positions (3.52 FTE). The new positions are two additional Deputy Medical Examiner's and two laboratory technicians. Also approved was an increase to the overall pay structure provided to these positions based on a new compensation plan study conducted by the Department of Administrative Services. This modified the compensation for the six existing Deputy positions and the State Medical Examiner, with the goal of improving recruitment and retention of these positions.

Agency Support Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	54,414,781	63,447,512	65,060,779	66,028,246
Other Funds	4,131,619	4,027,983	3,767,119	3,767,119
Federal Funds	153,959	--	--	--
Total Funds	**$58,700,359**	**$67,475,495**	**$68,827,898**	**$69,795,365**
Positions	147	155	153	159
FTE	147.53	154.98	154.33	159.96

Program Description
Agency Support Services provides services that are required for operating police/patrol programs. Those specific "sworn" support services include executive leadership and policy direction; professional standards management; training and recruitment; internal audit; dispatch services through two dispatch centers; and sworn support. Sworn support includes fleet services and central records management. Basic agency administrative, human resources, and financial services are budgeted in the Administrative Services program.

Revenue Sources and Relationships
Other Funds revenues are provided through a cost allocation plan that charges the non-General Fund resources within the Patrol, Fish and Wildlife, and the Criminal Justice Information System divisions. Additional Other Funds revenue is received from the Oregon State Police Officers Association (OSPOA) to reimburse the state for the union president's salary.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Agency Support Services is $69.8 million total funds, which is 3.4% higher than the 2021-23 legislatively approved budget. The major investment in Agency Support Services was the addition of $1.4 million General Fund and six positions (5.63 FTE), including four Command Center Supervisors. Of the positions, five had already been filled due to program growth and workload demands that had increased over time. These capacity issues had forced the Department to create and fill these unbudgeted positions in order to properly function administratively but came at the expense of holding trooper positions vacant. By addressing this operational shortfall by properly establishing the positions and funding, in both Agency Support and Administrative Services, the Department will now be able to fill approximately 20 vacant trooper positions.

Administrative Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	19,636,388	24,586,192	24,824,837	32,410,049
Other Funds	5,598,746	10,035,603	6,337,319	9,532,423
Federal Funds	64,217	498,116	519,037	519,037
Total Funds	**$25,299,351**	**$35,119,911**	**$31,681,193**	**$42,461,509**
Positions	86	92	92	100
FTE	84.49	90.24	90.96	98.96

Program Description

The Administrative Services Program consists of the administrative support functions of the Department. It includes budget and financial reporting, accounting, payroll, grants management, human resources, information technology, contracting and procurement, facilities management, and legislative coordination.

Revenue Sources and Relationships

Other Funds and Federal Funds revenues are provided through a cost allocation plan that charges the non-General Fund resources within the Fish and Wildlife, Criminal Justice Information System, Gaming Enforcement, and Patrol divisions. This Division also receives miscellaneous grant reimbursement from other state agencies.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Administrative Services Division of $42.5 million total funds is 20.9% higher than the 2021-23 legislatively approved budget. This includes $1.6 million General Fund for the lifecycle replacement of computers and Mobile Data Terminals, and $3.1 million General Fund for the cost of renting space at the North Valley Complex in Wilsonville, which will house the long-term storage needs for the Department. Additionally, an investment of $1.7 million General Fund and eight positions (8.00 FTE) establishes three human resources positions, two information technology positions, three accounting positions, and reclassifies nine positions within the Division. Of the newly established positions, most had already been filled due to program growth and workload demands that had increased over time. These capacity issues had forced the Department to create and fill these unbudgeted positions in order to properly function administratively but came at the expense of holding trooper positions vacant. Addressing this operational shortfall by properly establishing the positions and funding, in Agency Support and Administrative Services, the Department will now be able to fill approximately 20 vacant trooper positions.

Finally, $2.5 million Other Funds expenditure limitation (ARPA funds) is provided on a one-time basis to pay certain non-bondable costs of capital construction projects.

Criminal Justice Information Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	7,938,411	17,647,454	14,376,471	16,902,484
Other Funds	16,917,232	23,349,795	22,064,649	22,220,626
Federal Funds	2,095,306	4,929,861	5,158,277	5,160,686
Total Funds	**$26,950,949**	**$45,927,110**	**$41,599,397**	**$44,283,796**
Positions	95	130	113	125
FTE	95.00	127.96	113.00	125.00

Program Description

The Criminal Justice Information Services Division maintains Oregon's central computerized repository of criminal offender records and related law enforcement information, and it provides for the immediate and secure access of these confidential records. The Division serves the criminal justice information needs and requirements of Oregon law enforcement at the city, county, state, and federal levels. The customer base is primarily external to the Department but includes the Department as one of approximately 700 agencies served.

This Division consists of three sections, the Law Enforcement Data System (LEDS), the Identification Services Section (ISS), and the Sex Offender Registration Section (SOR). LEDS connects law enforcement, criminal justice agencies, and other authorized users to centrally maintained files including data relating to wanted and missing persons, sex offenders, drug manufacturers, stolen vehicles, concealed handgun licenses, criminal records, restraining orders, and offenders under parole or probation supervision. LEDS also operates the Oregon Uniform Crime Reporting Program, which collects, processes, and distributes Oregon crime and arrest statistics; and provides Oregon data to the FBI for the national crime statistics program. Identification Services is comprised of the Criminal History, Regulatory Compliance, Automated Fingerprint Identification System, and Firearms programs. The Sex Offender Registry program maintains the state sex offender registry, which contains information on more than 33,000 offenders who live, work, or attend school in an Oregon community. Oregon has up to 27 crimes that may require registration as a sex offender if convicted. Over the past ten years, the SOR program has added an average of 1,200 new offenders to the database annually.

Revenue Sources and Relationships

Other Funds supports 50% of this Division's operations and revenue comes from fees for Identification Services including records checks of criminal histories, firearms, concealed handgun, and employment and licensing background checks ($19.6 million). The Division also receives federal grant funds from the U.S. Department of Justice ($5.2 million) for improving criminal history records.

Budget Environment

Oregon Revised Statute (ORS) 181A.280 directs OSP to establish a Law Enforcement Data System (LEDS), a criminal justice information system for storage and retrieval of criminal justice information submitted by criminal justice agencies in the State of Oregon. LEDS functions as the control point for access to similar programs operated by other states and the federal government; undertakes projects as necessary for the speedy collection and dissemination of information relating to crime and criminals; and provides information as available to all qualified criminal justice agencies and designated agencies. OSP provides criminal justice information to local, state, and federal law enforcement agencies for enforcement and criminal justice purposes.

The Identification Services unit's core function of maintaining the state's criminal history repository is critical not only to the criminal justice community and law enforcement through positive fingerprint identification of reported arrestees, but to non-criminal justice users such as regulatory agencies making employment and licensing decisions, as well as the public. LEDS is a mission critical system for all law enforcement agencies that must operate 24 hours a day, 7 days a week, 365 days a year, with 99.95% required uptime.

A project to replace the LEDS system (LEDS 20/20) was approved by the Legislature in 2015. The agency has implemented new message switch and user interface systems, completed data migration and user interfaces, and has conducted user acceptance testing. The final phase will replace the current sex offender registry software and incorporate it into the LEDS system and into the state's criminal justice data repository. This phase of the project is estimated to be completed in 2025 at a cost of $2.1 million funded through Other Funds ending balance.

Looming over this Division is the potential implementation of Ballot Measure 114, passed by voters in 2022, which establishes a permit-to-purchase program for firearms. This would essentially create a new firearm background check program that would require additional resources and positions, but its establishment has been delayed, awaiting court decisions on its constitutionality. The Department's 2023-25 budget does not include any funding related to Ballot Measure 114.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Criminal Justice Information Services Division of $44.3 million total funds is 3.6% decrease from the 2021-23 legislatively approved budget due to the phase-out of one-time General Fund that had been provided for the LEDS 20/20 project and to address a backlog of firearms background checks. Both of those issues remain in 2023-25, however the Department can fund the completion of the LEDS 20/20 project with available Other Funds ending fund balance.

The 2021-23 legislatively approved budget provided one-time funding for 17 limited duration positions to address the backlog of firearms background checks. While the Department was able to fill some of the positions, the most effective way of reducing the backlog was to utilize sworn positions, typically from within headquarters, to assist the process for short periods of time. However, this is not a sustainable model, and based on the current backlog, the budget includes $1.8 million General Fund on a one-time basis for ten limited duration positions to continue this work.

Gaming Enforcement Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	311,318	358,407	539,448	539,021
Other Funds	11,307,467	13,340,238	14,109,773	14,143,106
Total Funds	**$11,618,785**	**$13,698,644**	**$14,649,221**	**$14,682,127**
Positions	36	37	38	38
FTE	36.26	36.71	37.71	37.71

Program Description
The Gaming Enforcement Division provides regulatory, investigatory, and security services for the Oregon State Lottery, Oregon tribal gaming centers, and ring sports under the authority of the Oregon Athletic Commission. Activities include background investigations of vendors, contractors, and licensees; security against ticket counterfeiting or alteration and other means of fraudulent winning; and protecting the interests of professional athletes and the public concerning medical standards, fairness, financial fraud, and event environmental safety at boxing, wrestling, and mixed martial arts competitions.

Revenue Sources and Relationships
The Lottery Commission fully funds the Lottery Security Section services ($9.4 million). Native American Tribes fund the Tribal Gaming Section activities ($4.2 million). The Vendor Investigation Section is funded by both the Oregon Lottery and vendors conducting business with Oregon's Gaming Tribes ($1.3 million). License fees and a gross receipts tax (6%) fund the Oregon Athletic Commission regulatory activities ($355,000). Three-fourths of any ending balance for the Oregon Athletic Commission is sent to the Children's Trust Fund; however, there has not been an ending balance during the past few biennia. General Fund resources in the Gaming Enforcement Division support one Compliance Specialist 2 position added in 2019. This was done because in the past OSP has needed to rebalance existing General Fund appropriations to cover shortfalls in revenue for ring sport regulation and/or employment related expenditures that would not have been fairly allocated to the Lottery or the tribal gaming centers.

Budget Environment
The workload of the Gaming Division is driven by the number and complexity of games, the number of retailers, and changing technology. The Oregon Lottery Commission now offers approximately 39 scratch-it games per year and has about 3,909 lottery retailers with nearly 11,800 video lottery terminals throughout the state. The Lottery Security Section conducts background investigations on all prospective Lottery employees, game retailers,

vendors, and contractors; and conducts compliance inspections on Lottery retailers with a goal of inspecting 75% of retailers each year.

Currently, eight of the nine federally recognized tribes operate a casino at 10 separate locations with over 7,400 slot machines in this state. The vendors who conduct business with both the Lottery and the tribal casinos are adding to their business models, often by purchasing subsidiary companies that operate in the area of complex gaming technology. This requires the Vendor Inspection Section to stay current in new technologies and to have adequate staff to provide appropriate investigations.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Gaming Division of $14.7 million total funds is 7.2% more than the 2021-23 legislatively approved budget and essentially funds the current level of service for this program.

Debt Service

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	356,348	2,491,188	16,764,730	21,285,474
Other Funds	148,824	--	--	--
Total Funds	**$505,172**	**$2,491,188**	**$16,764,730**	**$21,285,474**

Program Description

The Debt Service Program provides funding for principal and interest costs associated with the issuance of Article XI-Q bonds to finance capital projects.

Budget Environment

SB 236 (2015) gave the Oregon State Police the authority to own real property. In 2017, DAS transferred ownership of the Central Point patrol facility to OSP, which assumed the four years of debt service remaining on bonds issued in 2002 to upgrade the Forensics Lab in the facility.

Legislatively Adopted Budget

The total funds budget for 2023-25 of $21,285,474 General Fund includes the estimated debt service cost for bonds to be issued in the 2023-25 biennium for the three capital construction projects described in the next section.

Capital Construction

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	--	110,205,689	--	55,098,186
Total Funds	**--**	**$110,205,689**	**--**	**$55,098,186**

Program Description

The Capital Construction program plans, designs, and constructs facilities projects with a cost of more than $1 million.

Revenue Sources and Relationships

Funding for OSP Capital Construction projects is provided by Article XI-Q general obligation bonds.

Budget Environment

During the 2017-2019 and 2019-21 biennia, OSP's Facilities Program developed and completed a Strategic Facility Master Plan, which identified the agency's key facilities challenges over the next ten years. Challenges include spaces that are too small or inefficient for program needs, buildings lacking security features, and facilities that are outdated and unable to support the program functions operating within them. The Master Plan identified OSP facilities in Central Point and in Springfield as the agency's most critical facilities issues and in the 2021-23 biennium, $110.2 million Other Funds, through Article XI-Q bond proceeds, was provided to begin work on those two critical facilities.

For the Central Point Office Expansion, the project includes remodel and expansion of the office facility and to add space for the forensic lab, evidence, medical examiner, and patrol functions. $34 million Other Funds was provided for this project in 2021-23.

For the Springfield area, there are two projects, the design and construction of a new forensic lab and medical examiner facility, and the design and construction of a new area command office facility. $62 million was provided for the forensic lab and medical examiner facility, and $14.2 million for the area command office in 2021-23.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Capital Construction totals $55,098,186 Other Funds. Proceeds from the sale of Article XI-Q bonds and associated six-year capital construction expenditure limitation will fund the projected increased costs for the Central Point and Springfield projects. Of the total, $26.5 million is for Central Point, $21.3 million for the forensic lab and medical examiner facilities in Springfield, and $7.3 million for the Springfield Area command office.

DEPARTMENT OF PUBLIC SAFETY STANDARDS AND TRAINING

Analyst: Terpening

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	9,357,606	9,107,640	8,773,470	8,773,470
Other Funds	47,448,542	60,296,286	57,830,602	66,603,510
Other Funds (NL)	32,010,000	--	--	--
Federal Funds	7,756,112	8,018,038	7,623,049	7,621,702
Total Funds	**$96,572,260**	**$77,421,964**	**$74,227,121**	**$82,998,682**
Positions	152	160	160	186
FTE	150.58	158.74	158.75	184.75

Overview

The Department of Public Safety Standards and Training (DPSST) is responsible for developing and maintaining standards for employment and providing training to over 41,000 public and private safety professionals in Oregon.

The Department accomplishes its mission through five programs: Criminal Justice Training and Certification Program, Fire Training and Certification, Private Security, Administration and Support Services, and Public Safety Memorial Fund.

Criminal Justice Training and Certification Program – Provides training and certification for state troopers, city, tribal and university police, sheriff deputies, local correctional officers, parole and probation officers, 9-1-1 telecommunicators, emergency medical dispatchers, Oregon Liquor Control Commission regulatory specialists, and Criminal Justice instructors. Mandated training is set out by statute or rule, and ranges from sixteen weeks for the basic police course, six weeks for local correctional officers, five weeks for parole and probation officers (with an additional two weeks for those who carry firearms), three weeks for telecommunicators, and three days for emergency medical dispatchers. The Department of Corrections (DOC) continues to train its correctional officers using a Board-approved curriculum with DPSST auditing DOC's training program. DPSST maintains basic, intermediate, advanced, supervisory, management, and executive level certifications for approximately 11,000 state and local criminal justice professionals.

Fire Training and Certification Program – Provides training across the state to over 11,000 career and volunteer firefighters through hundreds of classes annually. This program also certifies firefighters based on national standards, has issued over 49,300 certifications to fire service professionals, and processes approximately 8,200 renewals biennially. The program accredits fire departments and local training programs that meet minimum Board-approved requirements.

Private Security Program – Provides training and licensing to private security providers, private investigators, and polygraph examiners to enhance professionalism, assists in meeting minimum standards, and enforces certification and licensure requirements when applicable and necessary. There are about 1,500 private security entities/businesses that provide private security services and almost 21,000 private security providers statewide. There are approximately 800 active licensed private investigators in the state of Oregon and approximately 50 licensed polygraph examiners. In addition, HB 2527 (2021) requires private security entities to be licensed beginning January 1, 2024. There are an estimated 950 business entities that would require licensing.

Administration and Support Services Program – Includes the director's office, business and human resource functions, and information systems. In addition, this program includes the costs of operating the Salem training facility (including food service, housekeeping, operations, and maintenance), as well as the debt service for the facility's construction. The Business Services Unit provides accounting support and is the fiduciary agent for Oregon's federal High Intensity Drug Trafficking Area (HIDTA) grant program.

Public Safety Memorial Fund – Provides financial assistance to family members of public safety officers who are killed or permanently and totally disabled in the line of duty.

The Department serves as the fiduciary agent for the Oregon-Idaho High Intensity Drug Trafficking Area (HIDTA) program, a cooperative effort to disrupt and dismantle drug trafficking and money-laundering organizations and to reduce the availability of and demand for illegal drugs. This program is federally funded through the Office of National Drug Control Policy, which will provide $7.6 million in the 2023-25 biennium to support up to 40 initiatives at any given time.

Most training is provided at DPSST's 236-acre Oregon Public Training Academy in Salem, completed in 2005. In addition to classroom and dormitory facilities, the training academy contains an emergency vehicle operations course, an indoor lead-free firearms range, a tactical tower for firefighter and search and rescue training, and various "scenario" buildings, replicating schools, homes, businesses, and other buildings typically found in Oregon communities. The agency also has regional offices in three locations – Burns, Klamath Falls, and Redmond. The agency has professional trainers on staff but has also relied heavily on part-time trainers who are practicing professionals in their fields or agency loans, which are trainers authorized to work at DPSST while also working for their respective agency.

<u>Revenue Sources and Relationships</u>
General Fund resources support only debt service payments on bonds issued for construction of the training facility in Salem. The agency's primary source of funding is an allocation from the Criminal Fine Account (CFA) totaling $51.9 million, which supports 94% of the Criminal Justice Training and Certification program and 100% of Administration and Support Services Programs, as well as the Public Safety Memorial Fund. This allocation is provided through legislation (HB 5029, 2023) separate from the Department's budget bill. The second largest source of Other Funds is a transfer of $5.5 million of Fire Insurance Premium Tax (FIPT) revenue from the Department of the State Fire Marshal to support fire services training.

The agency charges licensing and certification fees to support the Private Security Professionals/Private Investigators/Private Security Entities Program ($3.9 million) and receives traffic safety grant funding from the Oregon Department of Transportation ($660,000). The 9-1-1 telephone excise tax ($806,668) supports training services for telecommunicators and emergency medical dispatchers. Through SB 5542 (2023) the Legislature ratified fees for the Private Security Professionals Program, which includes private security and private investigators, however the additional fee-based revenue may not be sufficient to operate the program and the Department is expected to return to the Legislature in 2024 with further increases along with the new private security entity fee required by HB 2527 (2021).

Federal dollars are received from the Federal Emergency Management Agency for training developed by the U.S. Fire Academy, and from the Executive Office of the President, Office of National Drug Control Policy to coordinate training for the High-Intensity Drug Trafficking Area program. The agency regularly applies for and receives a federal Assistance to Firefighters grant averaging about $400,000 from the U.S. Department of Homeland Security, available to state fire training academies for equipment, personal protective equipment, and vehicle acquisition.

<u>Budget Environment</u>
While not the sole source of continuing public safety training, DPSST is the sole provider of the statutorily mandated basic criminal justice training and is a primary provider of essential and perishable skills training for public safety professionals throughout Oregon. State law requires that newly hired police officers attend the Basic

Police Course within 90 days of hiring and become certified within 18 months. These are 16-week courses with current service level funding for 640 students, typically operating in classes of 40.

As local economies improved following the 2009 recession and as the number of retiring "baby boomers" increased during the past decade, state and local public safety agencies increased hiring to fill vacant positions. Demand for Basic Police classes increased dramatically between 2015-2017, began leveling off after 2018, and showed a sharp decline in 2020 due to the COVID-19 pandemic and societal unrest around law enforcement. This decline in new candidates corresponded with considerable retirements and attrition leading to significant vacancies across state and local public safety agencies. By 2022 the demand for Basic Police classes returned as agencies rapidly increased hiring to fill those vacant positions. The Department received approval from the Emergency Board for 160 additional students in four classes but demand far outweighed capacity and a backlog of candidates developed, reaching approximately 6 months by the end of 2022.

Further complicating the issue is the training model that the Department has utilized relies heavily on agency part-time instructors and/or agency loans to be available to provide training and maintain proper student-instructor ratios. For many biennia, the Department would receive funding for additional courses, but not receive additional positions. This increased the burden to find part-time instructors or agency loans from local law enforcement, and with increasing vacancies, local agencies increasingly declined to provide staff so that they could maintain sufficient staffing in their local jurisdictions. This in turn has increased overtime costs of the Department as they attempt to maintain the necessary ratios to implement the course schedule and meet the demand for candidates.

The 2023-25 budget attempts to help address the backlog and the training model by providing funding for additional Basic Police classes and corresponding full-time trainer positions. The budget includes fully funding 800 Basic Police students, through 20 classes of 40 students each, providing funding for a pilot project of three 60-student Basic Police classes to run concurrently with the standard classes, and allows for three additional classes to be operated by Oregon State Police with their training staff. Assuming full enrollment, this will bring the total number of Basic Police Course students to 1,100 in 2023-25. This would bring the current wait time of candidates awaiting enrollment in the Basic Police Course from six months to four months. Along with funding for the increased enrollment there is also increased position authority, with 26 permanent full-time positions added, including 22 instructors, two additional training supervisors, and two support staff.

A concern with increased enrollment in 2023-25 is the impact that will have on the facilities. The Oregon Public Safety Academy campus was established in 2006 and though the buildings are well-maintained, the facility is heavily used, and all 25 of the main buildings were built at the same time. A Facility Conditions Assessment was completed for the Public Safety Campus in 2018, which identified $19.8 million of deferred maintenance items needing attention in the upcoming ten-year period. Of these projects, repairs to or replacement of kitchen equipment and roofs are identified as "currently critical" needs. Additional repairs to gutters and downspouts, exterior caulking and sealing, and window replacements are identified as "potentially critical". The 2021-23 budget included one-time funding to replace kitchen equipment and to begin on roof replacements that are anticipated to occur over the next several biennia. The projected enrollment for 2023-25 is considered the maximum capacity the Department could safely and effectively achieve within the current facilities.

Recent legislative sessions have seen passage of a slate of police reform bills, several of which address DPSST responsibilities, including law enforcement training, accreditation, and officer misconduct. HB 2162 (2021) required DPSST to designate an accrediting body for law enforcement agencies and to establish a statewide equity training program as a required part of the training for law enforcement officer certification. In 2021 the Legislature provided a permanent position to develop a training program for instructor development, which the agency currently does not provide after an instructor is certified. This was also identified in a Secretary of State audit from December 2021 where Field Training Officers, who provide training to new officers after they've left the academy, are properly trained. The new program will provide a means of keeping DPSST's instructors current on best practices in policing, cultural competence, implicit bias, emotional intelligence, police legitimacy and procedural justice, legal updates, use of force, and other topics.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for this agency is $83 million total funds, which is a 7.2% increase from the 2021-23 legislatively approved budget. The authorized positions for 2023-25 total 186 (184.75 FTE), which is an increase of 26 positions from 2021-23. Other than investments related to the Basic Police course which impact the Criminal Justice and Administration and Support areas of the agency, the rest of the Department's programs were only slightly modified from current service level budget to reflect assessment adjustments as noted in the table below.

Program Area	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Criminal Justice	24,771,885	31,390,700	29,703,349	36,599,951
Fire Training	5,004,826	6,188,687	5,480,061	5,409,065
Private Security	2,651,551	3,905,215	4,019,479	4,019,479
Admin and Support	15,591,716	18,501,462	18,323,944	20,265,600
Debt Service	9,357,606	9,107,640	8,773,470	8,773,470
Debt Refinancing (July 2020)	32,010,000	--	--	--
PS Memorial Fund	79,978	721,455	303,769	309,415
Oregon HIDTA	7,104,6998	7,606,805	7,623,049	7,621,702
Total Funds	**$96,572,260**	**$77,421,964**	**$74,227,121**	**$82,998,682**

Additions to DPSST programs in the 2023-25 legislatively adopted budget included:

- Seven new positions (7.00 FTE) and $2,658,000 Other Funds expenditure limitation to increase the number of students enrolled from 640 to 800 for the biennium. The seven new positions are for increased training instructor capacity.
- $6,417,983 Other Funds expenditure limitation and 19 positions (19.00 FTE) to pilot the three 60-student classes. Included in this funding is the services and supplies costs of OSP operating three training classes. Of the 19 positions, two are training supervisors, 15 new training instructors, and two support staff.

OREGON YOUTH AUTHORITY

Analyst: Terpening

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	323,457,915	271,236,661	388,645,228	399,637,996
Other Funds	14,348,925	154,772,236	7,708,683	28,872,752
Federal Funds	28,864,429	37,034,286	37,928,229	46,283,121
Total Funds	**$366,671,269**	**$463,043,183**	**$434,282,140**	**$474,793,869**
Positions	1,007	1,001	973	990
FTE	978.38	971.66	945.88	955.90

Overview

The Oregon Youth Authority (OYA) is a fundamental partner in the state's juvenile justice system. Its statutory purpose is to protect the public, hold youth offenders accountable for their actions, and provide youth offenders with opportunities for reform in safe environments. Just 2% of Oregon youth aged 12-17 are referred to the juvenile justice system; of those who are adjudicated for criminal behavior, two-thirds are served by county juvenile departments and one-third are committed to OYA facilities or OYA probation. OYA works closely with county juvenile departments, the judicial system, and other youth-serving systems.

OYA provides a balanced continuum of services through a statewide network of close custody facilities and contracted community providers. OYA manages out-of-home placement of youth in foster homes and residential treatment programs; provides parole and probation services; provides funding to counties for basic juvenile crime prevention services and diversion from OYA commitment; and operates the state juvenile corrections institutions. Youth correctional facilities are located in Albany, Burns, Grants Pass, Tillamook, and Woodburn; transition facilities are in Florence, La Grande, Albany, and Tillamook.

OYA's facilities and services are designed to address:

- Offenders ranging in age from 12 through 24.
- Unique treatment and reformation needs for males and females.
- Diverse racial and ethnic groups.
- Offenders whose crimes range from behavioral offenses and property crimes to person-to-person crimes, such as assault.
- Mentally ill and developmentally disabled offenders.

OYA's jurisdiction includes youth adjudicated as juveniles and young offenders convicted as adults who committed their crimes before age 18. There are no mandatory sentence lengths for juveniles whose cases are heard in juvenile court. Youth committed to OYA through adult court are in the legal custody of the Department of Corrections (DOC), but in the physical custody of OYA. OYA may keep youth until their 25th birthday but may transfer offenders committed through adult court to DOC earlier if they are dangerous or if they can be better served in an adult facility.

Ballot Measure 11 (1994) set mandatory sentences through adult court for 15–17-year-old juveniles who are convicted of certain offenses. Subsequently, SB 1008 (2019) ended the automatic prosecution of 15–17-year-olds as adults for Ballot Measure 11 offenses; authorizing adult prosecution only after a juvenile court hearing and waiver to adult court. SB 1008 applied to youth convicted or adjudicated after January 1, 2020, and has changed close custody and OYA parole populations. As an example, in 2020 about 40% of youth were convicted in adult court or waived on Measure 11 offenses but that number had declined to about 18% in 2022. Under SB 1008, more youth will come to OYA through the juvenile court, which will increase the number of youth eligible for community-based programming and for juvenile parole. The 2023-25 legislatively adopted budget fully funds the operation of 24 living units in the agency's nine close-custody and transitional camp facilities throughout the state, with an anticipated population of about 407 youth, with an average of 17 youth per living unit.

Revenue Sources and Relationships

General Fund supports the majority of OYA's activities and operations. Historically, anywhere from 9% to 11% of the total operating budget comes from Federal Funds, and about 3% to 6% from Other Funds. An extensive capital construction program started in 2015-17 and is bond-financed.

Federal Medicaid reimbursements partially pay for the cost of community residential treatment programs and targeted case management services provided by OYA juvenile parole and probation staff. Revenue from this federal source provides about 38% of the funding for residential treatment programing. Overall, federal fund reimbursements will cover about 26% of the Community Services program costs in the 2023-25 biennium. Foster care costs are supported with General Fund.

The largest Other Funds sources of operating revenues are youth trust fund reimbursements and the U.S. Department of Agriculture (USDA) School Nutrition Program. The budget includes Other Funds from Social Security and Supplemental Security Income and other assets of the youth, who are billed for part of the cost of care provided in OYA out-of-home placements and OYA close custody; and $2 million from the USDA School Nutrition Program. SB 817 (2021) eliminated fines, fees, and court costs associated with juvenile delinquency matters, which has reduced the overall Other Funds revenues by around $800,000 from prior biennium.

The Department's 2023-25 budget includes $4.3 million of remaining American Rescue Plan Act (ARPA) Coronavirus State Fiscal Recovery funds that are carried forward from the 2021-23 biennium. This funding is specific to purchase equipment and support capital improvements in multiple facilities and for the Juvenile Justice Information System project.

Budget Environment

Most youth enter Oregon's juvenile justice system through referrals to county juvenile departments. As is the case nationally, Oregon has experienced a substantial decline in referrals over the past 17 years. From 2010 and 2020 the total referrals declined by 65%, with referrals for felonies and misdemeanors decreasing by about 70% during that same decade. Most recently, referrals had seen a slight uptick in 2022. As of July 2023, 534 were on OYA parole or probation, and 374 were committed to OYA close custody.

While the overall number of juvenile referrals has been dropping, the number of youths referred to OYA with acute needs - significant mental health or developmental disabilities, for example - has increased. OYA reports that nearly 70% of boys and 91% of girls in OYA custody have been diagnosed with a mental health disorder. A shortage of medically supervised detoxification and treatment for substance abuse, resources for those with intellectual/developmental disabilities (I/DD), and psychiatric treatment services in the community has resulted in more youth being committed, by default, to OYA close custody who would be more successfully served elsewhere. About two-thirds of OYA youth struggle with substance abuse or dependence.

Even prior to a steep drop in usage due to the COVID-19 pandemic in 2020, OYA's use of community residential treatment beds had been declining steadily. Factors contributing to decreased usage of this resource include:

- A mismatch between available providers and youth needing services - for example, fewer providers serving young women than young women needing residential treatment.
- A mismatch between services available and services needed. At any given time, OYA might have more youth requiring a particular service than there are treatment providers offering that intervention.

- Lower than anticipated use of community residential placements as "step-down" options for those youth transitioning into the community after being released from close custody facilities.
- Difficulty with finding new or different placements for the not insignificant number of youth who run away from community residential treatment programs.

The 2023-25 adopted budget includes about $85 million total funds for 249 community residential treatment beds. While this is a 79-bed reduction from 2021-23 (with a corresponding $10.4 million General Fund reduction), the average usage has been around 200 beds. Despite the reduction in bed usage and capacity compared to 2021-23, the total funding has been increased by $25.6 million, including $17.1 million of General Fund. These increases are attributable to the continuation of the rates, differentials, and the 5% available capacity funding that was in first put in place during the pandemic.

ORS 420.085 requires the Department of Administrative Services' Office of Economic Analysis (OEA) to prepare a semi-annual forecast of demand for close custody and community placements. The current forecast methodology estimates the number of youth coming to OYA in three major groups: juveniles convicted in adult court under Measure 11 or waived under ORS 419C.340 (also referred to as DOC youth); Public Safety Reserve (PSR) youth committed for certain violent crimes, but too young for Measure 11 to apply; and youth committed for new crimes and parole violations as part of the county discretionary bed allocation. A fourth category, community placement, covers youth committed to OYA and placed in residential treatment or foster care while on probation or parole.

Recently OEA has modified the youth forecast methodology to be similar to the DOC adult population forecast. Although one distinct difference that makes forecasting challenging is that most youth in close custody have indeterminate sentences, whereas adults' sentences are known at intake and can be more easily forecasted. To account for this, OEA uses lengths of stay of similar youth to project release dates but notes that OYA has parole authority over this population.

To address the declining youth population and the agency's increasing deferred maintenance requirements, the Legislature in 2013 directed the agency to study and report on the optimum use of existing, aging facilities in the Willamette Valley to maximize the efficiency and effectiveness of operations. Additionally, the Legislature directed the agency to continue developing the Youth Reformation System method of determining the best evidence-based placement and treatment for each youth so that the youth is released from OYA prepared to be a productive, crime-free, healthy member of the community.

Accordingly, OYA developed the 10-Year Strategic Plan for Facilities, which recommended facility improvements including the construction of 16-bed single-occupancy living units at MacLaren (reduced from 25-bed occupancy), closing the Hillcrest facility, improving all other youth correctional facilities, and operating a transitional housing facility for young women. Implementation of the plan was started during the 2015-17 biennium, and the Legislature has authorized over $150 million in general obligation bonds for various projects throughout OYA facilities. Due to construction timelines slipping and estimated construction costs increasing, the 2023-25 budget includes the reauthorization of about $36 million in bond funding to continue previously approved projects. The 2023-25 budget includes $2.75 million in new Article XI-Q general obligation bond funding.

Oregon is one of only three states in the nation to employ a statewide database for youth in the justice system. The Juvenile Justice Information System (JJIS) is used by OYA and by all 36 county juvenile departments for youth case management; the system is based on "one youth, one record," and contains over 20 years of data on the nearly half a million youth who encounter the juvenile justice system in Oregon. This dataset is the foundational data source for the agency's Youth Reformation System, and supports program evaluation, case planning, legislation, policy development, and the predictive analytic tools used to manage risk and to match youth with services most likely to reduce recidivism.

JJIS was implemented in 1995 and its user interface is now functionally obsolete and unsupported by the vendor. Planning to replace the system began in 2017 and the project received its Stage Gate 2 endorsement (resource and solution planning and analysis) from the Department of Administrative Services - Enterprise Information Services (DAS EIS) in April 2020, with implementation of the software solution beginning in 2021-23 through a mix of bond proceeds and ARPA funds. For the 2023-25 biennium, $5.5 million in bond proceeds and $748,259 of ARPA funding was carried forward, in addition to $7.7 million in new Article XI-Q bond sales and $3.4 million General Fund for the non-bondable costs of the project.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget totals $399.6 million General Fund, $474.8 million total funds, and 990 positions (955.90 FTE). Overall, the budget is up 2.5% from the 2021-23 legislatively approved budget, but the General Fund is increased by 47% due to the replacement of one-time ARPA funding in the Facility Program to support public safety services.

Additional significant changes in OYA's 2023-25 legislatively adopted budget included:

- Funding for community residential treatment beds was reduced from 328 beds to 249 to reflect lower-than-anticipated usage of community-based residential treatment services.
- $940,713 General Fund, $3,536 Other Funds expenditure limitation, $25,855 Federal Funds expenditure limitation, and six positions (3.00 FTE) to address increased workload in human resources, payroll, and procurement.
- $17.1 million General Fund and $8.3 million Federal Funds expenditure limitation to increase the rates paid to providers of behavioral rehabilitation services (BRS).
- $792,091 General Fund and $9,515 Federal Funds expenditure limitation and three positions (1.88 FTE) for the migration of CCTV data to the State Data Center.
- $46.8 million of Article XI-Q bond proceeds will allow the agency to complete its renovation of living units at MacLaren, Tillamook, and Camp Riverbend; continue the Juvenile Justice Information System (JJIS) Modernization project, and complete capital improvements at other OYA facilities. Of this total, $36 million is in reauthorization of previously approved bonds, and $694,516 is for the cost of bond issuance. $4.3 million General Fund was added to pay new debt service obligations in the 2023-25 biennium.
- $4.3 million of ARPA funds carried forward to pay for the non-bondable costs of capital improvement projects and the JJIS Modernization project, replacement of the emergency generator at Maclaren, and replacement of the parole and probation office at the Oak Creek Youth Correctional Facility.
- $958,701 General Fund and $55,577 Federal Funds expenditure limitation and 8 positions (5.14 FTE) to address increased mental health needs of youth in close custody at Camp Florence, MacLaren, and Oak Creek; increased staffing at the Jackie Winters Transitional Facility for young women; and for victims support services.

Facility Programs

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	174,751,920	91,619,683	191,074,995	191,691,727
Other Funds	5,597,410	109,829,505	5,051,582	9,153,701
Total Funds	**$180,349,330**	**$201,449,188**	**$196,126,577**	**$200,845,428**
Positions	735	724	695	703
FTE	708.00	696.63	669.50	674.77

Program Description

OYA operates close-custody facilities across the state with varying levels of security and structure and a range of treatment services. OYA facilities include:

- Oak Creek Youth Correctional Facility (YCF) for young women and the Jackie Winters Transition Program in Albany.
- Eastern Oregon YCF in Burns.
- Camp Florence Youth Transitional Facility (YTF) in Florence.
- Rogue Valley YCF in Grants Pass.
- Camp Riverbend YTF in La Grande.
- Camp Tillamook YTF and Tillamook YCF in Tillamook.
- MacLaren YCF in Woodburn.

The total of 24 fully staffed living units were budgeted for 2023-25 including 20 living units in five youth correctional facilities for youth adjudicated for more serious offenses and living units in four formal transition facilities to help youth move successfully back into the community. The built capacity of these living units could house a maximum of 407 youth, but the April 2023 10-year OYA population forecast and current average daily population of about 377 youth allows the agency to achieve its administratively established population management plan for housing between 15-20 youth per living unit. The agency's largest youth correctional facility, MacLaren, serves a variety of populations, as well as providing statewide male intake and parole violator intake assessment activities. Other facilities range in size from one to four living units, and serve targeted populations such as male sex offenders, male youth receiving substance abuse services, and female youth.

The focus in the facilities is on reformation and rehabilitation in the context of public safety, and restitution to victims and the community. The facilities provide treatment services, educational programs, and work experience for youth. Treatment, health, and mental health services are provided by OYA employees and through contracts with community professionals. Local school districts or education service districts provide education and vocational programs. Education services for eligible youth are supported by the state school fund, while vocational and other educational services for older youth are paid for within the OYA budget.

Budget Environment

Referrals for juvenile delinquency have gone down consistently for the past twenty years, but the acuity of youth in close-custody facilities with mental health and substance abuse disorders remains high, however, so in addition to providing "bed and board" for youth offenders, the facilities provide a range of services as needed for correctional treatment; physical, dental, and mental health; substance abuse; recreation; classroom and vocational education; life skills and work experience; and other support services. OYA uses risk and needs assessment tools to develop individual correctional case plans for all youth placed in its custody, whether in a close-custody or community placement. OYA reports in its 2022 Biopsychosocial Summary that 56% of male and 66% of female offenders in its custody have been assessed as substance-abusive or -dependent. Further, 67% of the males and 91% of the females have been diagnosed with a mental health disorder.

After having taken significant steps toward providing services tailored for young women, OYA is focusing its efforts on improving diversity, equity, and inclusion in its programs and services. Data show that youth of color and lesbian, gay, bisexual, transgender, queer or questioning (LGBTQ+) youth are disproportionately represented in the juvenile justice system and experience disparate outcomes following juvenile justice programs, services, and interventions. Efforts underway include recruiting a more diverse workforce, hiring staff to develop culturally specific programming, establishing contracts with qualified therapists who specialize in gender identity issues, staffing the tattoo removal program, and funding conflict resolution trainers.

Legislatively Adopted Budget
The legislatively adopted total funds budget for Facilities is $200.8 million which is less than 1% below the 2021-23 legislatively approved budget. The significant one-time change to this program is the replacement of $100 million ARPA State and Local Fiscal Recovery funds provided in 2021-23 with General Fund.

Other budget changes include:

- $200,165 General Fund and one position (0.88 FTE) for a Behavioral Health Specialist at Camp Florence where local contracted services are not readily available. This new position was established by shifting funds from special payments.
- $347,400 General Fund and three permanent full-time Behavioral Health Specialist positions (1.50 FTE) at MacLaren and Oak Creek facilities.
- $269,976 General Fund and two IT positions (1.13 FTE) to maintain, operate, and continue the expansion and upgrades of OYA's closed-circuit camera system and to migrate data to the State Data Center.
- $283,846 General Fund and two Group Life Coordinator positions (1.76 FTE) to staff the Jackie Winters Transitional Facility which had previously been staffed with limited duration positions.
- $3.5 million Other Funds expenditure limitation for the carry forward of ARPA funding for certain projects previously approved in 2021-23.
- $370,064 General Fund reduction to reflect the OEA April 2023 population forecast. This reduction does not represent the closure of any facilities, units or reduction of positions.

Community Programs

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	85,894,878	107,907,106	113,895,419	119,434,463
Other Funds	1,740,271	2,362,828	2,570,757	2,772,235
Federal Funds	27,078,667	35,085,275	35,927,646	44,287,548
Total Funds	**$114,713,816**	**$145,355,209**	**$152,393,822**	**$166,494,246**
Positions	138	138	135	137
FTE	136.88	136.88	133.88	134.88

Program Description
Community Programs provide community-based supervision and services to youth offenders committed to OYA by the juvenile courts. Agency staff members design an individual treatment and reformation plan for each youth in OYA's custody. The Community Programs budget includes funding for community residential services and foster care; parole and probation services; individualized community services; and assistance to county juvenile departments for diverting high-risk youth offenders from OYA placement, basic local juvenile justice services, and youth gang services in Multnomah County.

Budget Environment
As of July 2023, OYA had 291 youth in the community on probation and 243 youth on parole. OYA staff provide case management services to youth on probation and parole, and case planning in facilities. Further, the agency contracts for a range of other treatment services and residential placements with foster care or Behavioral Rehabilitation Services (BRS) providers.

OYA's use of community residential treatment beds have been declining since 2015. SB 1008 has increased the number of youths adjudicated in juvenile court, which has the potential to change residential treatment bed usage, funding requirements for community services, and the types of services needed in the community. For example, OYA will have parole authority for a larger number of older youth, who may need transitional housing, job training and career coaching, and other types of life skills services not presently available in the Medicaid-supported BRS system. Providers of culturally specific services are in short supply and the barriers to entry for non-profit service providers are high. Funding provided in 2021-23 to increase the rates paid to providers of behavioral rehabilitation services has been continued into 2023-25 and is anticipated to encourage a greater variety of service providers to contract with OYA's Community Program.

Legislatively Adopted Budget

The Community Programs 2023-25 legislatively adopted total funds budget of $166.5 million is 14.5% more than the 2021-23 legislatively approved budget. This is primarily due to the funding for BRS providers increased by $17.1 million General Fund and $8.3 million Federal Funds to make permanent a 5% occupancy rate enhancement, first approved during the COVID-19 pandemic, and to reflect a new methodology for calculating BRS rates that connects the rates with data from the U.S. Bureau of Labor Statistics and the Consumer Price Index to account for inflation.

The level of funding provides about 343 total community beds, including 249 residential beds, 85 foster care, and 9 transitional beds. This represents an overall reduction from the current service level number of beds by about 79 due to historical underutilization of the residential community beds. As of September 2023, the agency housed an average of 205 youth in residential placements throughout the state.

Other budget adjustments include:

- Reduction of $1,137,584 General Fund from the Juvenile Crime Prevention diversion and gang funding that is distributed to counties. This amount represents the unused capacity in this program from 2021-23.
- Fund shift of $1,189,337 General Fund to provide funding for sex abuse treatment to youth in community placements. This authorizes the use of existing funds in the budget to pay for individualized services, beyond standard BRS, and pay providers for the costs of these specific treatment services that are not covered by Medicaid.
- $327,455 General Fund, $55,577 Federal Funds, and two positions (1.00 FTE) to establish victims services to address crime survivors' needs in case development, release planning, and throughout the treatment process.

Program Support

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	50,065,269	56,673,076	61,942,462	65,591,506
Other Funds	235,442	9,552,684	86,344	14,140,816
Federal Funds	1,785,762	1,949,011	2,000,583	1,995,573
Total Funds	**$52,086,473**	**$68,174,771**	**$64,029,389**	**$81,727,895**
Positions	134	139	143	150
FTE	133.50	138.15	142.50	146.25

Program Description

The Program Support unit is made of up the Director's Office, Development Services, and Business Services program areas. The Director's Office includes communications and government relations, internal audits, professional standards, and research and data analysis. Development Services coordinates the full range of services provided to youth in OYA's care, including education and vocational training, family engagement, treatment services, and the Youth Reformation System. Business Services provides agency-wide financial, human resources, information technology, and physical plant services. The operational costs of the statewide Juvenile Justice Information System (JJIS) are part of this budget, as are agency-wide costs that are not allocated to other programs, such as insurance premiums and attorney general costs.

Budget Environment

The primary cost driver in this budget is intergovernmental service charges, which pay for some shared government functions and pooled costs, such as risk insurance. These costs make up a substantial portion of the Program Support budget. Additional cost drivers are the costs of personnel, leases, utilities, facility construction and maintenance costs and the JJIS modernization project.

Legislatively Adopted Budget

The 2023-25 Program Support total funds budget of $81.7 million is 19.9% higher than the 2021-23 legislatively approved budget. The budget includes the carry forward of $5.5 million Other Funds expenditure limitation from proceeds of Article XI-Q bonds and $748,259 Other Funds expenditure limitation from ARPA funds to move the JJIS modernization project through Stage Gate 3. Additionally, $7.7 million in new Article XI-Q bonding was approved for the JJIS project as well as $3.4 million General Fund for the non-bondable project costs. Finally, a total funds increase of $1.5 million and seven positions (3.75 FTE) was also approved to address increased workload in human resources, payroll, procurement, and information technology.

Debt Service

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	11,151,773	14,880,399	19,999,509	21,187,457
Other Funds	406,225	1,137,980	--	56,000
Total Funds	**$11,557,998**	**$16,018,379**	**$19,999,509**	**$21,243,457**

Program Description

OYA pays debt service on Article XI-Q bonds issued through the Department of Administrative Services. The 2023-25 budget includes $16.9 million General Fund for previously financed infrastructure and deferred maintenance needs in OYA's facilities and $4.3 million General Fund for new debt service on bonds anticipated to be sold during the current biennium. Since 2009, projects have included control room and HVAC renovations at Burns, Albany, La Grande, and Warrenton, as well as significant facilities renovations at Albany, Hillcrest (Salem), MacLaren (Woodburn), Rogue Valley (Grants Pass), and the Youth Correctional Facility in Tillamook.

Budget Environment

OYA's debt service budget is supported by General Fund and reflects the estimated cost of debt payments on all certificates of participation and Article XI-Q bonds sold or approved to be sold for the agency. The Legislature approved $46.1 million in new debt obligations in 2023-25. Of the total, $2.75 million is for new projects, $36 million is reauthorized for continued renovations and $7.9 million is for the JJIS Modernization project. Bond sales planned for October 2023, May 2024, and March 2025 will require an additional $4.3 million General Fund to make debt service payments in the 2023-25 biennium.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget is set at a level to cover existing and new debt. The new debt service ($4.3 million General Fund) is associated with project work described in the following Capital Construction section and in the Program Support section for the JJIS Modernization project. Other Funds expenditure limitation for the cost of bond issuance is budgeted in the Facility Program ($590,562) and in Program Support for the JJIS project ($103,954). Finally, an Other Funds debt service expenditure limitation of $56,000 utilizes some Other Funds savings to offset the need for General Fund to pay for debt service on outstanding bonds.

Capital Improvements and Capital Construction

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,594,075	1,662,707	1,732,843	1,732,843
Other Funds	6,369,577	31,889,239	--	2,750,000
Total Funds	**$7,963,652**	**$33,551,946**	**$1,732,843**	**$4,482,843**

Program Description

This program area includes spending to support the agency's 90 buildings located throughout the state, which have an estimated $358 million replacement value. Capital Improvement covers expenditures for land and building improvements that cost more than $5,000 but less than $1 million and is supported with General Fund. The Capital Construction Program provides safe and secure facilities through new construction, building, or system renovation; land acquisitions; assessments; and improvements or additions to existing buildings with an aggregate cost of $1 million or more, and is represented in the Other Funds line in the above display. Planning for future capital construction projects is also included in this category.

Budget Environment

The agency's newest youth correctional facilities were built in 1997. These facilities have reached an age where maintenance and repair needs have increased. Most of OYA's other facilities are much older, and while all the agency's buildings are in fair condition, maintenance continues to be deferred and necessary improvements remain in building safety, security, and functionality. Also relevant is that the building designs no longer comport with evidence-based best practices around living, learning, and therapeutic space. Current remodeling and construction projects in close-custody facilities are intended to bring facilities into alignment with the Youth Reformation System.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget included $10.7 million in new Article XI-Q bond proceeds and $36 million in bond re-authorization for current and prior-biennia capital projects. Ongoing projects include:

- The West Cottages renovation project at the MacLaren Youth Corrections Facility in Woodburn.
- Renovation of living units at the Rogue Valley YCF (Grants Pass).
- Deferred Maintenance and Capital Improvements across all facilities.
- Renovations to living units and supporting spaces at the Tillamook Youth Correctional Facility.
- Renovation of living unit and supporting spaces at Camp Riverbend.

New capital construction 6-year expenditure limitation of $2.75 million was added for capital improvements across multiple facilities.

JUDICIAL

BRANCH

JUDICIAL DEPARTMENT

Analyst: Borden

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	515,362,621	626,456,646	659,782,944	726,137,786
Other Funds	111,158,222	281,646,988	43,668,340	183,192,008
Federal Funds	1,009,969	2,732,035	1,584,283	1,589,232
Total Funds	**$627,530,812**	**$910,835,669**	**$705,035,567**	**$909,919,026**
Positions	1,934	1,999	1,956	2,094
FTE	1,817.99	1,921.42	1,925.01	2,030.17

Overview

The Oregon Judicial Department (OJD) includes the judges and administrative staff to operate general-jurisdiction trial or circuit courts, a tax court, an intermediate court of appeals, and a supreme court. Oregon's 36 counties are consolidated into 27 judicial districts. In 1983, Oregon's district, circuit, and appellate courts were unified into a statewide court system. In 1998, district courts were abolished and merged with circuit courts into single unified trial level courts. Oregon's Justice, County, and Municipal courts fall outside the jurisdiction of the OJD.

The Chief Justice is the administrative head of OJD and has the authority to make rules and issue orders related to the administrative and procedural operations of state courts. The Chief Justice appoints the chief judge of the Court of Appeals and the presiding judges of all state trial courts. The Chief Justice also appoints the state court administrator. The Judicial Conference, comprised of all elected judges, serves an advisory role to the Chief Justice. OJD's other responsibilities include the collection of court-ordered judgments, providing court interpreters and state court security, and fiscal oversight of state-supported county courthouse capital construction projects. The Judicial Branch does not have a unified budget under the control of the Chief Justice.

OJD is unique in many aspects. It has a decentralized structure of independently elected judges and non-represented employees who are overseen by a single administrative head (i.e., the Chief Justice). Circuit court judges and staff work in county-owned and maintained buildings. Each presiding judge exercises a degree of autonomy in prioritizing the budget for local courts depending upon local needs.

OJD is broadly organized into the following areas:

- Court operations and administration – Judicial Compensation, Appellate and Tax Courts, Trial Courts, Mandated Payments, Administration and Central Support, Oregon eCourt Program
- Third Party Collections – debt collectors associated with the collection of fees, fines, and restitution.
- External Pass-Through Payments – payments to legal entities.
- Court Facilities and Security – state court security and emergency preparedness and capital improvements for local courthouses and court facilities.
- Capital Improvement/Capital Construction – capital project for the state-owned Supreme Court Building.
- Courthouse Capital Construction – state and local matching funds to replace unsafe county-owned courthouse.
- Debt Service – repayment of state-issued debt for state matching funds to replace unsafe county-owned courthouse as well as for the renovation of the Supreme Court Building.

As a judicial branch agency, OJD operates independently of the executive branch, which exercises no administrative, financial, or budgetary or control over department's budget; that responsibility falls solely to the Legislature. In addition, OJD is statutorily exempt from many statutes governing processes that apply to executive branch agencies, such as human resources, procurement, and information technology; however, OJD does try to maintain parity with executive branch statutory requirements. Lastly, like the legislative branch, judicial branch agencies are statutorily allowed to keep any unspent General Fund balances at the end of a biennium.

Revenue Sources and Relationships

OJD's budget consists of 80% General Fund, 20% Other Funds, and 0.2% Federal Funds. OJD is viewed as a core function of government and is not expected to operate from revenues produced by the court system.

OJD is responsible for the collection of certain moneys owed the state, which includes material sources of Other Funds revenue, such as the collection of past-due crime victim restitution payments, compensatory fines, and other fines, costs, and assessments. Most court-generated revenues are distributed to the General Fund ($139.6 million), the Criminal Fine Account ($87.8 million), cities and counties ($36.4 million), the Public Defense Services Commission (PDSC) ($4.4 million), and restitution to victims of crime ($23.5 million). OJD will, however, retain approximately $7 million primarily for the State Court Technology Fund, which by statute retains 8.85% of most major court filing fee collections and generate another $6.1 million in subscription fee revenue from electronic access to court records.

Direct Federal Funds come from various grants, including a grant to fund the Juvenile Court Improvement Project. Indirect Federal as Other Funds comes from the Department of Human Services for the Citizen Review Board and the Department of Administrative Services (DAS) for the American Rescue Plan Act (ARPA).

Budget Environment

OJD can be viewed as one of the few agencies that meets the criteria of a 21st century agency. OJD operates under a sound strategic planning process with a modern information technology platform that provides for data-driven decision-making. OJD has been well-resourced by the legislature to accomplish these objectives.

OJD has no control over the number of case filings it receives, which is compounded by legal restrictions on its ability to manage caseloads. For example, there are clear statutory requirements for speedy trials in criminal matters. If a case is not processed within allowable timeframes, it could be dismissed or be subject to other prescribed statutory sanctions or relief. Any flexibility OJD has resides primarily in its ability to delay adjudication in civil case filings.

OJD's workload is driven by a number of factors, including the number and complexity of cases filed; the impact of social issues, such as drug abuse and family dissolution; crime rates; and the effect of new laws and regulations. Case types vary in their impact on judicial resources and staff. Criminal felony, misdemeanor, juvenile, and complex civil case types have the greatest workload impact on judicial and staff resources. Violations and Small Claims cases have a lower impact on such resources. The complexity of criminal cases continues to grow due to electronic discovery and body camera footage, among others. The criminal adjudicatory process for those individuals with mental health and substance abuse disorders continues to represent a major challenge to circuit courts and consumes more and more court time and court resources.

The unprecedented unrepresented defendant/persons crisis will continue to challenge the docketing of circuit courts and, particularly, a circuit court judge's decision, about whether to release defendants with conditions or on their own recognizance or to dismiss the charges to avoid violating a criminal defendant/person's right to speedy trial under the Sixth and Fourteenth Amendments to the United States Constitution. Circuit courts, however, are expected to continue collaborating with public safety partners to alleviate the crisis, including through early resolution/settlement conferences and docketing practice changes.

Oregon's court system, and OJD, have been in a period of evolution. While having successfully entered the digital age, the court system has been challenged by more complex demands needed to service defendants and persons who rely upon the court system. While operating at the intersection of state and local government, courts are at the epicenter of behavioral health, employment, and housing issues and whose responsibility and funding resides with state and local government and have acted as a coordinator and convener of services as well as an adjudicator. OJD has responded with programs for low income self-represented individuals, a variety of specialty courts, including family treatment courts, expungement/set aside programs, a statewide pretrial release program, centralized behavioral health program, remote hearings, and protective proceedings oversight. At the same time, OJD has played an integral role in supporting the replacement of unsafe county-owned courthouse, as well as local courthouse security. Lastly, OJD has had to serve in more of a branch support role for the Public Defense Services Commission and help address the state's public defense crisis.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget is $909.9 million total funds, including $726.1 General Fund, $183.2 million Other Funds, and $1.6 million Federal Funds. The total funds budget is a decrease of $916,643, or 0.1%, from the 2021-23 legislatively approved budget. The budget includes 2,094 positions (2,030.17 FTE), which is 95 positions (108.8 FTE) higher than the previous biennium.

The budget includes the following operational investments in various courts and court administration:

- $13.8 million General Fund, $693,335 Other Funds, and $4,949 Federal Funds for a new classification and compensation plan.
- $11.9 million Other Funds and 32 limited duration positions (32.00 FTE) in one-time funding for various specialty courts as well as the Legal Resource Center within the Multnomah County Courthouse.
- $10.6 million General Fund and 45 permanent full-time positions (39.60 FTE) to complete the statewide expansion of the Pretrial Release Program in 11 circuit courts.
- $2.2 million General Fund to backfill an Other Funds revenue shortfall in court filing and subscription fee revenues used to support the State Court Technology Fund.
- $1.9 million General Fund and 29 limited duration positions (7.25 FTE) in one-time funding to respond to the unrepresented defendant/persons crisis.
- $3.3 million General Fund and 13 permanent full-time information technology positions (11.44 FTE) for expanded use of remote proceedings and new data interfaces with public safety entities.
- $1.6 million General Fund and eight permanent full-time positions (4.89 FTE) to make permanent the Fresh Start Expungement Program.
- $2.1 million General Fund and six permanent full-time positions (6.00 FTE) for Family Treatment Courts previously authorized by the Emergency Board in September of 2022.
- $880,607 Other Funds and four permanent full-time positions (3.10 FTE) to make permanent the Protective Proceedings Oversight Program.

Major investments in county-owned circuit court facilities include:

- $30 million Other Funds (Article XI-Q bond) and $30 million in local matching funds to complete the replacement of the Clackamas County Courthouse.
- $12.6 million Other Funds (Article XI-Q bond) and $12.6 million in local matching funds for the replacement of the Morrow County Courthouse.
- $10.6 million Other Funds (Article XI-Q bond) and $10.6 million in local matching funds for the replacement of the Curry County Courthouse.
- $15 million General Fund in one-time funding for the renovation of the Deschutes County Courthouse.

- $3 million Other Funds (ARPA) in one-time funding for the renovation of the Harney County Courthouse.
- $8.8 million Other Funds (Article XI-Q bond) and $8.8 million in local matching funds to complete the replacement of the Benton County Courthouse.
- $2 million General Fund in one-time funding for the renovation of the Columbia County Courthouse.
- $300,000 Other Funds (ARPA) in one-time funding to plan for the replacement of the Curry County Courthouse.
- $100,000 Other Fund (ARPA) in one-time funding to plan for the replacement of the Umatilla County Courthouse.
- $42,549 Other Fund (ARPA) in one-time funding to plan for the replacement of the Hood River County Courthouse.

Major investments distributed by the department included $818,333 General Fund in one-time funding for distribution to the Oregon State Bar for immigration legal services.

Judicial Compensation

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	88,449,867	99,404,098	105,930,600	105,930,600
Total Funds	**$88,449,867**	**$99,404,098**	**$105,930,600**	**$105,960,600**
Positions	198	200	200	200
FTE	197.00	199.50	200.00	200.00

Program Description

The Judicial Compensation budget unit contains the personal services costs (salary plus other payroll expenses) of the 200 statutory judgeships authorized in Oregon, including 179 circuit court judges, one Tax Court judge, thirteen Court of Appeals judges, and seven Supreme Court justices.

The judges of the Supreme Court, Court of Appeals, and Tax Court are elected in nonpartisan statewide elections for six-year terms. The judges of the circuit courts are elected in nonpartisan judicial district elections for six-year terms. The Chief Justice, selected by members of the Supreme Court, serves as the administrative head of the Judicial Department.

Costs for non-statutorily established judgeships (such as temporary or pro-tempore judges, 50 senior or “Plan B” retired judges, and judicial referees) are included within the budgets for the Appellate Courts, Trial Courts, and the Administration and Central Support programs, rather than under this program area. The services and supplies supporting each statutory judgeship also reside within those programs.

Revenue Sources and Relationships

Statutory judgeships are funded with General Fund.

Budget Environment

The establishment of a statutory judgeship is a function of the following: (1) state funding for judgeship; (2) state funding for judge staff; (3) county provided chambers and office space for the judge and judge staff in the courthouse; and (d) county provided courtroom. The number of circuit court judgeships was last expanded during the 2021-23 biennium with the addition of two new statutory circuit court judgeships in the eleventh Judicial District and Deschutes County. The judgeships were statutorily established in HB 3011 (2021) and began on January 1, 2022.

Judicial salaries, as with most other elected official salaries, are set in statute. Since 2015, state law has required that judicial salaries be adjusted on an ongoing basis to match the cost-of-living adjustments awarded to management service employees in the executive branch. Amounts beyond the cost-of-living adjustments require legislative action. In 2016, the Legislature approved a $5,000 salary increase, effective January 1, 2017. In 2017, the Legislature approved a $5,000 salary increase effective July 1, 2018. In 2019, the Legislature approved a $5,000 increase effective July 1, 2020. The salary rates established by those increases and adjustments are shown in the table below.

Statutory Judge Salaries	2017	2018	2019	2020	2021	2022	2023
Chief Justice	$150,572	$157,076	$160,452	$170,412	$174,672	$180,084	$191,784
Supreme Court Justices	$147,560	$154,040	$157,356	$167,232	$171,408	$176,724	$188,208
Court of Appeals Chief Judge	$147,560	$154,040	$157,356	$167,232	$171,408	$176,724	$188,208
Court of Appeals Judges	$144,536	$150,980	$154,224	$164,004	$168,108	$173,316	$184,584
Tax Court Judge	$139,652	$146,048	$149,184	$158,808	$162,780	$167,832	$178,740
Circuit Court Judge	$135,776	$142,136	$145,188	$154,692	$158,556	$163,476	$174,108

In addition to annual salaries, the Judicial Compensation program also finances judges' other payroll expenses (OPE), which are equal to approximately 56% of salary. About half of the OPE total is to pay PERS contributions. A judge's retirement benefit is defined by statute and PERS operates a separate Judge Member Plan exclusively for judges to comply with ORS 238. The 2021-23 biennium contribution rate for this plan is 31.94% of salary, compared to a 17.13% PERS contribution rate for non-judge employees, though Judicial salaries are not impacted by Pension Obligation Bond payments as are those of state employees.

The 2023 legislature approved SJR 34, which is a referral to voters of an amendment to the Oregon Constitution to create an Independent Public Service Compensation Commission for the general election in November 2024. The commission would determine the amounts of the salaries to be paid to the Governor, Secretary of State, State Treasurer, Attorney General, Commissioner of the Bureau of Labor and Industries, certain judges, state Senators, state Representatives, and district attorneys.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Judicial Compensation totals $105.9 million, which is an increase of $6.5 million, or 6.6%, from the 2021-23 legislatively approved budget and includes 200 positions (200.00 FTE). The adopted budget includes no new judgeships.

Appellate and Tax Courts

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	23,055,111	28,810,780	29,281,925	30,533,477
Other Funds	3,477,771	3,306,970	3,385,957	3,463,691
Total Funds	**$26,532,882**	**$32,117,750**	**$32,667,882**	**$33,997,168**
Positions	100	102	102	102
FTE	97.97	99.10	99.97	99.97

Program Description

The Appellate and Tax Courts program includes the Oregon Supreme Court, Court of Appeals, Tax Court, and Appellate Commissioner's Office. The Supreme Court consists of seven justices elected to serve six-year terms. The Court of Appeals, which was statutorily created in 1969, consists of 13 judges who hear appeals from trial courts, agencies, and boards. The Chief Judge, the administrative head of the Court of Appeals, is appointed by the Chief Justice.

The Court of Appeals is Oregon's intermediate appellate court. By statute, the Court of Appeals is charged with nearly all civil and criminal appeals in Oregon's trial courts and nearly all the judicial reviews from administrative agencies in contested cases. Created by statute in 1969, the Court of Appeals does not exercise any constitutional jurisdiction; its jurisdiction is set by the Legislature. The Court of Appeals was last expanded during the 2013-15 biennium with the addition of another three-judge panel.

Oregon's Tax Court, which is a court with original jurisdiction over tax law matters, was established in 1961 as the nation's first judicial branch state tax court. The Tax Court has exclusive, statewide jurisdiction for all matters related to state tax laws, including income taxes, corporate excise taxes, property taxes, timber taxes, cigarette taxes, marijuana taxes, local budget law, and property tax limitations. The Tax Court consists of one judge, selected by statewide election for a six-year term, who only hears matters arising from Oregon tax law. The Tax Court has two divisions: a Regular Division and a Tax Magistrate Division created in 1997, to replace the informal administrative tax appeals process conducted by the Department of Revenue. There is one Tax Court judge who hears matters arising from Oregon tax law and appeals from the Tax Magistrate Division. The Tax Magistrate Division has three magistrates.

In 2008, OJD reorganized the Office of Appellate Legal Counsel into an Appellate Commissioner's Office. The purpose of this reorganization was to "reduce substantially the amount of time it historically has taken for substantive motions in the Court of Appeals to be decided." The Commissioner's decisions are subject to review by either the Motions Department of the Court of Appeals or the Chief Judge. The Court of Appeals has an Appellate Settlement Conference Program that mediates some civil, domestic relations, and workers' compensation cases. Appellate Court Services Division is comprised of the Appellate Court Records Section.

Revenue Sources and Relationship

The Appellate and Tax Court program is primarily funded with General Fund, but also includes some Other Funds revenue, including State Law Library assessment revenues ($3.5 million) and publication sales revenue ($680,000).

Budget Environment

The following table contains historic case filing data for the Appellate and Tax courts. Total case filings, after a general period of decline during the pandemic, are gradually increasing, but remain below pre-pandemic levels.

Appellate and Tax Court Cases	CY2018	CY2019	CY2020	CY2021	CY2022
Supreme Court	846	899	874	918	815
Court of Appeals	3,063	3,340	2,112	2,484	2,675
Tax Court-Regular Division	38	37	20	18	16
Tax Court-Magistrate Division	411	363	404	410	486
Total	4,358	4,639	3,410	3,830	3,992

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Appellate and Tax Courts totals $34 million, which is an increase of $1.9 million, or 5.9%, from the 2021-23 legislatively approved budget and includes 102 positions (99.97 FTE). A key change in the adopted budget is an increase of $1.3 million General Fund and $77,734 Other Funds for classification and compensation plan changes.

Trial Courts (Circuit Courts)

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	242,499,400	299,344,579	307,231,727	332,124,566
Other Funds	10,774,684	12,948,421	7,581,097	19,342,066
Federal Funds	79,676	--	--	--
Total Funds	**$253,353,760**	**$312,293,000**	**$314,812,824**	**$351,466,632**
Positions	1,422	1,422	1,399	1,514
FTE	1,311.65	1,369.55	1,373.17	1,461.92

Program Description

Trial Court operations includes the funding and operations of all state circuit courts. Circuit courts act as courts of general jurisdiction and adjudicate matters and disputes in criminal, civil, domestic relations, traffic, juvenile, small claims, violations, abuse prevention act, probate, civil commitment, adoption, and guardianship cases. One circuit court, Multnomah, also operates as the municipal court for the cities of Portland and Gresham, including parking and moving violations.

There are circuit courts in all 36 counties, but they are consolidated administratively into 27 judicial districts. The Chief Justice of the Oregon Supreme Court appoints each presiding judge for administrative purposes and for a two-year term. Circuit courts are managed by a trial court administrator who is supervised by the presiding judge. Each circuit court operates relatively autonomously, with practices and programs of individual courts varying across the state, but with the Chief Justice providing operational oversight and direction through the provision of operational and programmatic support, as well as through Chief Justice Orders. The operational cost of circuit courts is a state responsibility, while the cost of the courthouses, other court facilities, and courthouse security are generally county responsibilities as required by ORS 1.185 and 1.187.

Revenue Sources and Relationships

The circuit courts are primarily funded with General Funds. Other Funds revenue includes transfers from the Public Defense Services Commission for a portion of the Application/Contribution Program, which is used for verification of eligibility for public defense representation in circuit courts ($3.6 million), and grant funds supporting specialty court operations ($5.1 million) to pay for positions that provide staffing for various specialty courts, including the veteran, drug, mental health, and Driving Under the Influence of Intoxicants treatment courts as well as the Multnomah Legal Resource Center in the Multnomah County Courthouse.

Budget Environment

Circuit courts have no control over the number of case filings they receive, which can increase and decrease dramatically as there are changes in law enforcement staffing, addition or elimination of filing fees, and fluctuation in other local resources. This is compounded by legal restrictions on the courts' ability to manage caseloads. For example, there are clear statutory requirements for speedy trials in criminal matters. If a case is not processed within allowable timeframes, it could be dismissed or be subject to other prescribed statutory sanctions or relief. Most of the flexibility the circuit courts have resides primarily in their ability to delay adjudication in civil case filings.

Circuit court workload is driven by a number of factors, including: the number of cases filed; the complexity of processing cases of different types, especially considering the increased use of new technology for remote hearings, electronic discovery, and body-worn cameras; the impact of community and social issues, such as homelessness, mental illness, drug abuse, and family dissolution; crime rates; and the effect of new laws and regulations. Case types vary in their impact on judicial resources and staff. Criminal felony, misdemeanor, juvenile, and complex civil case types have the greatest workload impact on judicial and staff resources. Violations and Small Claims cases take less courtroom and administrative time per case but high volume for those cases can have an impact on court resources. The Oregon eCourt application serves a critical link to standardize statewide court data and support and evaluate various programs and activities across all programs.

Providing remote services also creates significantly more work for the court. Rather than individuals walking through the doors of a physical courthouse, in remote proceedings court staff must “create” the virtual room, provide instructions for connecting to remote services, guide participants in and out of the virtual “room” at the correct time, communicate with participants through individual electronic means, and provide immediate problem-solving services when technical issues arise. The proliferation of remote services, while extremely helpful for litigants and community members, means that court staff are often responding to inquiries through email and online forms in addition to transactions over the phone and in person, and remote court proceedings take longer and require more staff involvement than traditional in-person hearings.

The criminal adjudicatory process is consuming more and more court time and court resources. Individuals with mental health and substance abuse disorders continue to represent a major challenge to circuit courts, with a greater percentage than ever before actively struggling with significant behavioral health challenges. Additionally, courts are dedicating an extraordinary amount of time to criminal cases due to the lack of available public defense attorneys. This includes time spent each day examining cases filed to determine which ones are the most seriously in need of counsel, identifying local and other attorney resources where no lawyer has been provided but there is an immediate need for counsel, tracking and rescheduling cases where an attorney was not identified, launching new dockets, adding case resolution programs utilizing retired judges, and communicating with stakeholders.

In civil and family cases, courts spend a significant amount of time assisting individuals who need court services but do not have a lawyer. While court staff are not permitted to provide legal advice, they need to take the time to provide information about court processes, the purpose of different court forms, applicable filing fees and options for requests for waiver or deferral of court fees, timing of court hearings, how and when to appear, and generally what to expect at each stage. In some case types, up to 85% of the litigants are elf-represented litigants.

Many courts have staff dedicated to the management of court fines and fees. Once a payment obligation is imposed, court staff work with the individual to consolidate debts owed on multiple cases and collect payment in full or establish a monthly payment plan. When individuals have outstanding debt and are not paying according to their agreed-upon terms, courts refer the unpaid court debt to the Department of Revenue for collection.

Trial courts operate an array of programs across case-types; however, such programs may not be universally offered in each court or, if offered, tailored around the individual needs of, and services available in, the court and community. Examples of trial court programs include treatment and other problem-solving courts, pretrial release programs, pro se litigant assistance, arbitration and mediation programs, eviction diversion programs, expedited and/or specialized docketing, and child support. Circuit courts, under contract with the Public Defense Services Commission, also verify the eligibility of applicants for representation at public expense (Application Contribution Program). Circuit court operations are budgeted as a singular program. Within each circuit court no budgetary distinction is made for various programs and activities, though OSCA provides budget oversight, direction, and tracking so that specially funded positions are utilized for the intended purpose.

In addition, some courts may partner to administer regional, multi-court program offerings (e.g., Remote Child Support Court and regional family law facilitation programs supporting pro se litigants). Some program offerings are statewide and administered centrally out of the Office of the State Court Administrator. Examples include the Fresh Start Expungement Program, Protective Proceedings Oversight Program, statewide Application and Contribution Program, and statewide collections program.

Total trial or circuit court civil cases are provided in the following table. Civil cases are returning gradually to pre-pandemic case filings.

Trial Court Cases - Civil	CY2016	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022
Civil	71,069	82,271	84,086	81,768	58,713	64,207	69,953
Small Claims	54,467	55,719	54,093	56,091	27,943	29,533	34,177
Domestic Relations	44,107	43,592	44,177	44,414	38,774	40,670	41,249
Juvenile	9,669	11,150	10,178	9,449	7,087	5,892	6,036
Multnomah Parking	236,154	234,761	271,796	238,514	87,081	117,748	125,805
Civil Commitments	8,300	7,693	7,243	7,084	7,872	7,386	8,010
Probate	11,482	12,106	11,860	9,926	11,228	13,364	13,694
Total	435,248	447,292	483,433	447,246	238,698	278,800	298,924

Total trial or circuit court criminal cases are provided in the following table. Criminal cases are returning gradually to pre-pandemic case filings.

Trial Court Cases - Criminal	CY2016	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022
Felony	33,893	31,506	26,265	26,598	24,283	22,096	21,921
Misdemeanor	46,954	48,418	54,459	51,536	40,143	36,977	36,678
Violations	199,465	222,331	218,271	196,531	153,489	156,026	132,636
Total	280,312	302,255	298,995	274,665	217,915	215,099	191,235

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Trial Courts totals $351.5 million, which is an increase of $38.5 million, or 12.3%, from the 2021-23 legislatively approved budget and includes 1,514 positions (1,461.92 FTE). The adopted budget includes the following major budgetary investments or changes:

- $10.9 million Other Funds and 32 positions (32.00 FTE) to continue Other Funded grant positions.
- $10.9 million General Fund and $211,135 Other Funds for classification and compensation plan changes.
- $8.3 million General Fund and 43 positions (37.84 FTE) for the Statewide Pretrial Release Program.
- $2.1 million General Funds and six positions (6.00 FTE) to Family Treatment Courts.
- $1.9 million General Fund and seven positions (6.16 FTE) for remote proceedings and data interfaces.
- $1.7 million General Fund and 27 positions (6.75 FTE) for the unrepresented defendant persons crisis.

Mandated Payments

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	14,869,114	20,191,704	18,895,302	19,048,451
Other Funds	283,223	713,218	750,876	752,074
Total Funds	**$15,107,337**	**$20,904,922**	**$19,646,178**	**19,800,525**
Positions	23	23	23	23
FTE	22.61	22.61	22.61	22.61

Program Description

The Mandated Payments program provides statutory payments for trial and grand jury jurors service and interpreter services for non-English speakers, including crime victims exercising their constitutional rights of participation, statutory arbitration expenses, Americans with Disabilities Act (ADA) compliance, and civil appellate transcript costs for indigent persons. The program provides master jury lists for summoning and qualifying jurors, juror orientation materials, per diem, mileage reimbursement, juror meals, lodging and commercial transports when needed, state-paid sign language interpreters, assistive devices, and foreign language interpreters. Interpreter services are delivered by OJD staff or contracted court interpreters and are managed by the Court Language Access Services Division under the Office of the State Court Administrator.

Revenue Sources and Relationship

The Mandated Payments Program is primarily funded with General Fund but includes a relatively nominal amount of Other Funds revenue (3.8%) from juror fees and mileage donated back to the Department for jury improvement projects and from fees associated with interpreter certification.

Budget Environment

The 1999 Legislature approved a requirement that certified interpreters be provided for all judicial and administrative proceedings. OJD was given responsibility for the certification process. Demand for mandated services is a function of the volume and duration of cases heard by the courts. Approximately 63% of the budget supports interpreter services, 36% supports jury payments, and less than 1% supports ADA compliance and arbitration expenses. Travel expenses for interpreters has increased recently, especially for out-of-state contracts.

The following table includes the current juror reimbursement rates for jury duty:

Jury Duty	Per Day
First two days of duty	$ 10.00
Third day of duty and beyond	$ 25.00
Mileage reimbursement/per mile	$ 0.20

The following table includes the volume and payments made for jury duty in the previous two biennia:

Volume of Mandated Payments	2019-21	2021-23
Jurors Paid	84,272	131,529
Amount Paid	$ 2,513,709	$ 3,436,770

The following table includes the number of interpreter assignments and amount spent for OJD and contract interpreters in the previous two biennia:

Interpreters	2019-21	2021-23
Interpreter Assignments	68,750	91,841
OJD interpreters	$ 1,154,016	$ 1,719,948
Contract Interpreters	$ 4,243,016	$ 6,477,189

Legislatively Adopted Budget

The legislatively adopted budget for the Mandated Payments Program totals $19.1 million, which is a decrease of $1 million, or 5.3%, from the 2021-23 legislatively approved budget and includes 23 positions (22.61 FTE). A key adjustment approved in the adopted budget is an increase of $153,149 General Fund and $1,198 Other Funds for classification and compensation plan changes.

Administration and Central Support

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	81,046,507	87,257,357	94,287,496	101,612,421
Other Funds	7,922,258	11,393,582	4,975,064	6,089,582
Federal Funds	930,293	1,782,035	1,584,283	1,589,232
Total Funds	**$89,899,058**	**$100,432,974**	**$100,846,843**	**$109,291,235**
Positions	157	212	198	221
FTE	154.76	195.16	195.26	211.67

Program Description

The Administration and Central Support program falls under the Office of the State Court Administrator (OSCA). OSCA supports and assists the Chief Justice of the Supreme Court in exercising administrative authority and supervision over the state's circuit, tax, and appellate courts, as well as establishing and managing statewide administrative policies and procedures.

OSCA was statutorily created by the Legislative Assembly in 1971. The Chief Justice of the Oregon Supreme Court, as the administrative head of the Judicial Department, appoints the State Court Administrator (SCA). In general, OSCA, under the SCA, assists the Chief Justice in the general administration of circuit, tax, and appellate courts in the state. The current SCA was appointed in 2018 after the retirement of the former SCA who had a tenure of 22 years from 1995 to 2017; there have been five SCAs since 1971. OSCA was reorganized in 2018 and 2022, and is currently organized in the following areas:

- Executive Services Division – supports the Chief Justice's activities related to OJD governance and includes the Office of General Counsel, Marshal's Office, Internal Audit, Communications, Legislative, Strategic Planning, Equity, Diversity, and Inclusion, Plan B and Pro Tempore Services, and oversees matters related to county facilities.
- Enterprise Technology Services Division – provides statewide information technology services coordination, including product selection, development, implementation and integrations, business process documentation and training, enterprise security, hardware selection and maintenance, and governance.
- Business and Fiscal Services Division – provides statewide revenue management and collection activities, and budget development and management, and includes a Research and Data Analysis Section.
- Human Resource Services Division – provides statewide HR support, including payroll services, recruitment and employee development, and training.
- Civil and Criminal Programs Division – coordinates major programs and initiatives for civil and criminal law programs. Criminal programs include pretrial, behavioral health, and problem-solving courts, such as integrated drug treatment, mental health, veteran, and domestic violence courts. Support for civil court improvement includes policy analysis, program development, and implementation guidance for civil, small claims, landlord tenant case types, and alternative dispute resolution/mediation. The division also provides statewide support for jury services, improved access for self-represented litigants, technical assistance related to effective case flow management, expunction services, planning and evaluation, training, and informational material, including forms.
- Juvenile and Family Court Programs Division – coordinates policy analysis, program development, and implementation guidance for juvenile and family law programs, including delinquency, dependency, Family Treatment Courts, the Citizens Review Board Program, the Protective Proceedings Oversight Program, the federal Violence Against Women Act, and Federal Title IV child support activities and coordination with the Department of Justice's Division of Child Support. The division also provides

statewide technical assistance related to effective case flow management, as well as planning and evaluation, training, and informational material, including forms.

- Court Language Access Services (CLAS) – includes the management and oversight of the OJD's interpreter and translation services, including interpreter training and certification, scheduling, and remote services as well as the shorthand reporter certification program.
- Appellate Court Services Division – includes the Appellate Court Records Office, which is responsible for the Appellate Case Management System and Appellate eCourt and all petitions, motions, briefs, notices and correspondence and transcripts. The Division is also responsible for the State of Oregon Law Library, which serves as the principal legal research center for the Oregon Appellate and Tax courts, as well as the Supreme Court Building Service Section.

<u>Revenue Sources and Relationship</u>
The program is primarily funded with General Fund but includes Federal as Other Funds from the Department of Human Services for funding for the Citizen Review Board ($2.2 million). The Marshal's Office is budgeted and funded under the State Court Facilities Security Account.

Federal Funds from grants are used for assessments of state foster care and adoption laws and judicial processes, juvenile case data management, and training specific to juvenile case process improvements under the Juvenile Court Improvement Program ($1.6 million).

<u>Budget Environment</u>
OSCA provides centralized legal, analytical, business, and administrative support for OJD, which is challenging given the decentralized structure of OJD. Coordination requires significant dedication to statewide communication and governance, with frequent discussion and consideration of state and county operational dynamics, services, opportunities, and challenges. With a reorganization, there remains the need to align the programmatic and operational units within the agency's Oregon Budget Information Tracking System budget structure. This is important as the agency's budget structure is determinative of budget narratives and presentations used to explain the budget to the Legislature and the public.

<u>Legislatively Adopted Budget</u>
The legislatively adopted budget for Administration and Central Support totals $109.3 million, which is an increase of $7.7 million, or 7.5%, from the 2021-23 legislatively approved budget, and includes 221 positions (211.67 FTE). The adopted budget includes the following major budgetary investments or changes:

- $2.3 million General Fund and two positions (1.76 FTE) for the Statewide Pretrial Release Program.
- $1.6 million General Fund and eight positions (4.89 FTE) for the Fresh Start Expungement Program.
- $1.5 million General Fund, $185,248 Other Funds, and $4,949 Federal Funds for classification and compensation plan changes.
- $1.4 million General Fund and six positions (5.28 FTE) for remote proceedings and data interfaces.
- $929,270 Other Funds to continue information technology support of the Public Defense Services Commission.
- $880,607 General Fund and four positions (3.10 FTE) to support the Protective Proceedings Oversight Program.
- $283,504 General Fund and one position (0.88 FTE) for the transition of the Public Defense Services Commission to the Executive Branch of Government.
- $144,270 General Fund and two positions (0.50 FTE) for the unrepresented defendant persons crisis.

Oregon eCourt Program (State Court Technology Fund)

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	4,123,511	8,250,884	8,787,755	10,965,969
Other Funds	16,244,006	18,469,655	19,154,714	17,169,924
Total Funds	**$20,367,517**	**$26,720,539**	**$27,942,469**	**$28,135,893**
Positions	30	30	30	30
FTE	30.00	30.00	30.00	30.00

Program Description

The Oregon eCourt Program provides funding for the Oregon Judicial Case Information Network (OJCIN), which is OJD's electronic case management system. The program supports public access to OJCIN, technology support services, electronic case filing, system maintenance, and limited equipment replacement. OJCIN is comprised of two component applications:

- Odyssey (recently renamed "Enterprise Justice" by the private vendor) – the case management system used by the circuit and tax courts. Odyssey's public access platform is the Oregon eCourt Case Information.
- C-Track – the case management system used by the Oregon Court of Appeals and Supreme Court. C-Track's public access platform is the Appellate Case Management System.

Statute requires the State Court Technology Fund (SCTF) be used to develop, maintain, and support state court electronic applications, services, and systems; provide access to and use of those applications, services, and systems; and provide electronic service and filing services.

Revenue Sources and Relationships

The eCourt Program is funded with a combination of General Fund and Other Funds. The General Fund supports system maintenance and equipment and software replacement. Other Funds is comprised of filing fees, user fees, transaction fees, and an allocation from the Criminal Fine Account, which are summarized as follows:

- Filing fees are statutorily required payments associated with case filing in Oregon courts. A portion of filing fee revenues (8.85%) is deposited into the SCTF. In the 2023-25 biennium, SCTF revenue is expected to be $7.6 million.
- User fees are charges for electronic access through a subscription to court information by external users. While the public has free access to the electronic case register, a subscription allows remote access to case documents. For the 2023-25 biennium, user fee revenue is expected to be $6.3 million.
- Transaction fees charged for online use of credit and debit cards are expected to generate $0.5 million.
- The 2023-25 allocation from the Criminal Fines Account is $3.9 million. In 2017, the Legislature increased presumptive fines by $5 to support court technology costs.

Budget Environment

In 2017, the Department completed a multi-year $91 million project to modernize the system. Since that time, focus has shifted from implementation of the new system to its support and ongoing maintenance, as well as accessibility for system users.

The following table provides the number of electronic and non-electronic case filings:

Method of Case Filings	2019-21	2021-23
Electronic filings	3,261,719	3,486,047
Traditional/Non-Electronic fillings	4,454,968	4,266,894
Total Filings	7,716,687	7,752,941

The table below provides a summary of the number of paid and free account users. Paid users are typically private law firms and the press. Non-billed or free account users are typically public entities.

OJCIN Account Types	Accounts	User Profiles
Billed accounts	2,624	3,315
Non-billed Accouints	940	8,225
Total Accounts	3,564	11,540

The following table includes the number of electronic payments and revenue received through OJCIN:

Electronic Payments	2019-21	2021-23
Electronic Payments	270,967	273,829
Total Revenue	$ 57,182,513	$ 56,474,322

Legislatively Adopted Budget
The legislatively adopted budget for the Oregon eCourt Program totals $28.1 million, which is an increase of $1.4 million, or 5.3%, from the 2021-23 legislatively approved budget, and includes 30 positions (30.00 FTE). The adopted budget includes the following major budgetary investments or changes:

- $2.2 million General Fund increase and $2.2 million Other Funds reduction to backfill a revenue shortfall with General Fund.
- $193,424 Other Funds for classification and compensation plan changes.

Third Party Collections

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	16,062,478	15,970,809	17,376,240	17,376,240
Total Funds	**$16,062,478**	**$15,970,809**	**$17,376,240**	**$17,376,240**

Program Description
The Third-Party Debt Collections program houses the cost of paying third-party debt collectors associated with the collection of fees, fines, and restitution. The purpose of the program is to collect amounts owed to the state that are subject to collection by the judicial branch. In general, collections are for past-due crime victim restitution payments, compensatory fines, and other fines, costs, and assessments.

Revenue Sources and Relationships
This program is supported by the General Fund. During the 2023-25 biennium, the department will generate an estimated $298.6 million in revenue from fines, assessments, forfeitures, filing fees, and individuals' contributions toward their public defense. Third party collection activities will account for approximately 30% of this revenue and most of the revenues collected will be transferred directly to either the General Fund, the Criminal Fine Account, or to cities and counties.

Budget Environment
While 91% of cases are paid in full, approximately 9% of cases require collection efforts by the courts, through third party collection firms or the Department of Revenue. After accounting for the program's administrative expenses that are passed on to the General Fund, the remaining collections revenue is distributed by case type (i.e., criminal, civil, etc.) according to statute. Depending on the case type and obligation type, balances remaining after the deduction of statutory obligations and administrative costs are distributed to the state or local governments.

A separate General Fund appropriation is made for payments to third-party debt collectors and bank credit card charges. The types of expenditures in this appropriation include credit card fees, State Treasury charges for banking services, Department of Justice legal services, Department of Administrative Services printing costs for notices, Department of Revenue fees, and private collection firm fees. Delinquent accounts move through a series of collection efforts as defined by the Department's centralized collection unit. In general, these steps include reminder notices (up to one year), referral of an account to the Department of Revenue (DOR) for collection (up to one year), and finally, referral to a private collections firm (up to two years or longer depending on collectability). The Department also works with DOR to intercept any state tax refunds.

Generally, the budget and position authority for revenue management activities resides under the Trial Court, Administration and Central Support, and Appellate/Tax Courts budget structures. Trial court staff undertake the collection of payments-in-full, receipting of payments on payment plans, and other payments that are non-delinquent. The funds are used for payments to the Department of Revenue and private collection firms for fees that are paid as a percentage of the amount collected, plus bank fees and Treasury charges. The collections on delinquent debt by the third-party debt collectors are forecast to total approximately $80.3 million during the 2023-25 biennium.

Collections revenue, by source, is outlined in the following table:

Third-Party Collections	2013-15	2015-17	2017-19	2019-21	2021-23
Department of Revenue - Tax Intercept	$48,167,088	$ 55,981,201	$64,883,065	$55,695,595	$52,196,920
Private Collection Firms	$ 8,332,974	$ 15,713,886	$20,256,218	$17,500,242	$ 9,830,606
Total	$56,500,062	$ 71,695,087	$85,139,283	$73,195,838	$62,027,526

Collection activity has resumed after the suspension of collection referrals from March 2020 to November 2021 due to the COVID-19 pandemic. According to the most recent Report on Liquidated and Delinquent Accounts Receivable (June 30, 2022), OJD reported that $1.6 billion is owed the state on 1.4 million accounts with an average balance of $1,142. Of this total, $948 million, or 60.5%, is in collections with the Department of Revenue or private collection firms, $318 million, or 20.3%, is being actively worked by OJD, and $301.1 million, or 19.2%, is inactive status pending assignment to collections after being returned from collections.

Legislatively Adopted Budget
The legislatively adopted budget for Third Party Collections totals $17.4 million, which is an increase of $1.4 million, or 8.8%, from the 2021-23 legislatively approved budget.

State Court Facilities and Security Account

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	6,120,557	8,200,910	7,820,632	7,845,228
Total Funds	**$6,120,557**	**$8,200,910**	**$7,820,632**	**$7,845,228**
Positions	4	4	4	4
FTE	4.00	4.00	4.00	4.00

Program Description

In 2005, the Legislature established a State Court Facilities Security Account (SCFSA). By statute, account proceeds may be used to provide: (1) development or implementation of the plan for state court security emergency preparedness, business continuity, and physical security in buildings that contain or are utilized by the Supreme Court, Court of Appeals, Oregon Tax Court, or the Office of the State Court Administrator; (2) statewide training on state court security; (3) distributions to court facilities security accounts to each county; and (4) in 2011, the Legislature expanded the use of the SCFSA to include the funding of capital improvements for courthouses and other state court facilities.

The major activities of the SCFSA include:

- State court security and emergency preparedness – the Marshal's Office, managed under the Administration and Central Support program by the Office of the State Court Administrator, is responsible to ensure the physical security of judges, staff, and the public in and around court facilities, and for maintaining the preparedness and continuity of the judiciary.
- Local court facilities security accounts – payment of courthouse security officers (e.g., reimbursement of local law enforcement) and security systems. Court security comes from a combination of state funding in the form of SCFSA deposits into the local court facilities security accounts plus county revenues (e.g., Justice Court and Municipal Court ticket revenues).
- Local court capital improvements – counties provide most of the funding for courthouses and other court facilities capital improvement projects. Courthouse capital improvements do not have a recurring allocation; only project-specific requests are funded, as determined by the Legislature.

Revenue Sources and Relationships

SCFSA is supported by an allocation from the state's Criminal Fines Account and from a portion of punitive damage awards under ORS 31.735. Apart from the SCFSA, the Legislature may fund local court capital improvements through either a General Fund appropriation or Federal as Other Funds from the American Rescue Plan Act (see External Pass-Through program).

Budget Environment

Funding for state court security and emergency preparedness and training is retained by OJD for the operation of the Marshal's Office. Funding for local court facilities security accounts and capital improvement funding for courthouses and other court facilities are passed through OJD's budget to counties.

The following table is a summary of SCFSA, by purpose and biennia:

State Court Facilities and Security Account	2013-15	2015-17	2017-19	2019-21	2021-23	2023-25
State court security and emergency preparedness	$2,919,951	$ 3,446,002	$3,615,658	$3,784,490	$4,147,778	$4,493,981
Local court facilities security accounts	$2,960,118	$ 4,148,955	$2,824,508	$2,931,528	$3,057,284	$3,326,651
Local court capital improvements	$3,545,858	$ 3,500,000	$ -	$ -	$ 950,000	$ -
Total	$9,425,927	$11,094,957	$6,440,166	$6,716,018	$8,155,062	$7,820,632

The following table is a summary of actual expenditures for local court capital improvements, by court and biennia. Note that neither the 2017-19 or 2023-25 biennium included capital improvement projects, as either the balance in the SCFSA was insufficient to support new projects or no new projects were approved by the Legislature.

State Court Facilities Security Account - Courthouses (Criminal Fine Account)	2013-15	2015-17	2019-21	2021-23
Union County	$ 2,000,000			
Curry County	$ 280,019			
Columbia County	$ 190,000			
Clatsop County	$ 100,000			
Coos County	$ 210,002	$ 64,424	$ 256,804	$ 75,000
Gilliam County	$ 330,000			
Grant County	$ 150,000			
Harney County		$ 440,000		
Douglas County	$ 241,083	$ 919,309		
Wallowa County		$ 1,250,000		
Malheur County		$ 731,793		
Jospehine County				$ 700,000
Klamath Falls County				$ 158,381
Tillamook County				$ 77,696
Wasco County		$ 87,900		
Total	$ 3,501,104	$ 3,493,426	$ 256,804	$ 1,011,077

Legislatively Adopted Budget

The legislatively adopted budget for the State Court Facilities and Security Account totals $8.2 million, which is a decrease of $355,682, or 4.3%, from the 2021-23 legislatively approved budget and includes four positions (4.00 FTE). The adopted budget includes $24,596 Other Funds for classification and compensation plan changes for the Marshal's Office.

External Pass-Throughs

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	$26,043,782	$40,490,499	$30,738,119	$48,556,452
Other Funds	--	3,339,827	--	3,442,549
Total Funds	**26,043,782**	**$44,160,326**	**$30,738,119**	**$48,556,452**

Program Description

The External Pass-Through program is responsible for pass-through payments to non-state government and entities. The fiduciary responsibility for the expenditure of the funds, as well as the tracking of performance and outcomes, falls to recipient entities.

Revenue Sources and Relationship

The External Pass-Through program is funded with General Fund and Other Funds. Other Funds include one-time American Rescue Plan Act State Fiscal Recovery funds received by the Department of Administrative Services as Federal Funds and transferred to OJD.

In 2011, the Legislature passed HB 2710, which simplified court fees and generally eliminated the dedication of court fee revenue to specific programs. Other than a 10% surcharge incorporated into most filing fees dedicated to the State Court Technology Fund, court fees are now directed to the General Fund. All programs that had been financed from dedicated fees, including county law libraries, mediation/conciliation services, and Legal Services, were provided equivalent General Fund after the dedicated fees were eliminated. Two other programs, the

Oregon Law Commission and the Council on Court Procedures, continue to be funded with General Fund, but whose payments were consolidated under OJD and within this program.

Budget Environment

External pass-through payments are currently being made for: (1) counties operating law libraries or providing law library services; (2) county mediation and conciliation programs in circuit courts; (3) the Oregon Law Commission; (4) Council on Court Procedures; (5) Legal Services Program ("Legal Aid"); (6) one-time funding specific to legislative initiatives (e.g., Legal Aid immigration (SB 1543, 2022), support of pro se litigants ("OregonLaw Connect"); and (7) one-time payments to counties to fund circuit courthouse capital improvement or construction projects.

Funding for county law libraries and county mediation and conciliation programs is distributed to counties. By statute, counties may move a portion of their law library funds to support mediation and conciliation services; however, this is done outside OJD's budget process for distributing funding to counties. Funding for the Oregon Law Commission is distributed to the University of Oregon Law School. Funding of the Council on Court Procedures is distributed to the Council, which is housed at the Lewis and Clark Law School. Funding for the Legal Services Program is distributed to the Oregon State Bar. Funding for circuit courthouse capital improvement or construction projects is distributed to individual counties with a legislatively approved funded project.

The following table summarizes external pass-through payments except for payments retaining to one-time funding and courthouses (the Legal Aid Services payment was Other Funds prior to 2019-21):

External Pass-Through Payments	2015-17	2017-19	2019-21	2021-23	2023-25
Legal Aid Services	$ 12,700,000	$ 11,900,000	$ 12,257,000	$ 12,784,050	$ 13,139,420
County Conciliation and Mediation Services	$ 7,423,755	$ 7,135,000	$ 7,183,170	$ 7,492,047	$ 8,179,037
County Law Libraries	$ 7,428,756	$ 7,135,000	$ 6,283,170	$ 7,492,047	$ 8,179,037
Oregon Law Commission	$ 331,319	$ 318,307	$ 320,422	$ 334,221	$ 364,969
Council on Court Procedures	$ 53,560	$ 51,372	$ 51,710	$ 53,934	$ 57,343
Total	$ 27,937,390	$ 26,539,679	$ 26,095,472	$ 28,156,299	$ 29,919,806

The following table summarizes one-time external pass-through payments for legislative initiatives:

External Pass-Through Payments	2021-23	2023-25
Legal Aid Services - Legal Aid immigration	$ 4,500,000	$ 818,333
Legal Aid Services -OregonLaw Connect	$ 2,334,200	$ -
Total	$ 6,834,200	$ 818,333

The following table summarizes external pass-through payments related to courthouses:

External Pass-Through Payments - Courthouses	2017-19	2019-21	2021-23	2023-25
Benton County		$ 2,000,000*	$ 2,000,000	
Clackamas County	$ 1,200,000			
Curry County			$ 3,500,000*	$ 300,000
Crook County			$ 169,827	
Deschutes County			$ 1,500,000	$ 15,000,000
Columbia			$ 2,000,000	$ 2,000,000
Harney County				$ 3,000,000
Umatilla County				$ 100,000
Hood River County				$ 42,549
Total	$ 1,200,000	$ 2,000,000	$ 9,169,827	$ 20,442,549
* Appropriated, but not passed through.				

Legislatively Adopted Budget

The legislatively adopted budget for External Pass-Throughs totals $48.6 million, which is an increase of $4.4, or 10%, from the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $15 million General Fund for the Deschutes County Courthouse renovation.
- $3 million Other Funds (ARPA) for the Harney County Courthouse Annex renovation.
- $2 million General Fund for the Columbia County Courthouse renovation.
- $818,333 General Fund for distribution to the Oregon State Bar for immigration legal services.
- $300,000 Other Funds (ARPA) for the Curry County Courthouse replacement planning.
- $100,000 Other Funds (ARPA) for the Umatilla County Courthouse replacement planning.
- $42,549 Other Funds (ARPA) for the Hood River County Courthouse replacement planning.

Oregon Courthouse Capital Construction and Improvement Fund (County Courthouses)

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	20,669,907	200,969,835	--	124,826,894
Total Funds	**20,669,907**	**200,969,835**	**--**	**$124,826,894**

Program Description

The Oregon Courthouse Capital Construction and Improvement Fund (OCCCIF) program provides state matching funds to counties to help replace unsafe county-owned courthouse facilities housing the state's circuit courts. Counties are responsible to provide suitable and sufficient court facilities for the statewide operation of the circuit courts (ORS 1.185). This legal responsibility continued when the State of Oregon assumed responsibility for the operating costs of courts (i.e., judgeships, staffing, and related costs) and providing indigent defense in 1983. Counties remain responsible for the maintenance and security of circuit courthouses. Courthouse renovations and additions fall outside of the statutory scope and eligibility of the OCCCIF.

The 2007 Legislature funded a statewide assessment to determine the safety and functionality of all Oregon county courthouses, as well as potential application of draft court facilities guidelines adopted by the Interim Committee on Court Facilities in 2006. The Oregon Court Facilities Assessment study, completed in 2008, highlighted more than $843 million in needed upgrades and repairs to the existing state court facilities to deal with the serious issues found during the assessment, which included seismic safety, life/safety systems, compliance with the Americans with Disabilities Act (ADA), and other improvements. The Emergency Board later heard a report from OJD in December 2016 that modified the original list of courthouse priorities.

In 2013, due to the state of some county courthouses, the Legislature established the OCCCIF to assist counties in replacing or updating unsafe county-owned courthouse facilities housing the state's circuit courts. The OCCCIF is intended to "… be used solely to finance costs related to acquiring, constructing, remodeling, repairing, equipping or furnishing land, improvements, courthouses or portions of courthouses that are owned by or operated by the State of Oregon." Under current practice, new state-supported courthouses continue to be owned by counties but are operated by the State under no-cost lease agreements. State funds may pay up to one-half of allowable project costs if the facility provides space to other state agencies (i.e., "co-located"); otherwise, state funding cannot exceed one-quarter of allowable project costs. Allowable project costs generally are limited to costs for court space, co-located state agency space, and shared areas or services that directly support the court.

Revenue Sources and Relationships

State matching funds may come from whatever state resource is determined by the Legislature. Historically, the state has relied on General Fund for shared planning costs and the issuance of Article XI-Q general obligation bonds for design, construction, furniture, fixtures, and equipment costs. Debt service for the authorized bonds is budgeted under OJD's Debt Service program. According to Oregon Laws, state and matching funds must, regardless of their source, be deposited into the OCCCIF to ensure both the state and the county have met their respective matching funds requirements under the law.

Budget Environment

Every new budget cycle, OCCCIF projects are proposed by the Association of Oregon Counties and the Judicial Department for legislative consideration. The Chief Justice and the Department of Administrative Services must approve the project for which the bonds will be used. To date, all legislatively funded projects have qualified to receive one-half of allowable costs from bond proceeds through the co-location of a state agency, which has been primarily the Public Defense Services Commission, but also included the Department of Human Services.

County government challenges in raising local matching funds have resulted, in some instances, in the delay or withdrawal of the issuance of Article XI-Q general obligation bonds, which adversely impacts the Legislature's ability to fund other, more immediately viable projects. Poor county cost estimating, and, more recently, cost escalations have contributed to high project costs, and an underestimation of the State's matching funds requirement. This has resulted in additional requests for state bonding authority. In lieu of a municipal bond offering, Clackamas County has been the first county to have approved a Public-Private Partnership ("P3") to meet the county's matching funds requirement under the OCCCIF. The P3 "Project Company" is responsible for the new courthouse design, financing, operation, and maintenance. Under the agreement, the state will make up to a $90 million milestone payment to the P3, and the county's matching funds requirement will be made as "availability" payments over the course of the next 30 years. Notably, Clackamas County has additional courthouse replacement costs that fall outside of the P3 agreement and could require state matching funds.

The following table summarizes Article XI-Q general obligation bond issuances for the OCCCIF. The table also does not include an equivalent of local matching funds, as required under statute, which would bring the total OCCCIF investment in county courthouses to $688.6 million. This amount is exclusive of the state and county government's debt service financing costs.

OCCCIF - State Match Only	2013-15	2015-17	2017-19	2019-21	2021-23	2023-25	Total	Completed
Benton County					$ 20.46	$ 8.95	$ 29.41	
Clackamas County					$ 94.85	$ 30.37	$ 125.22	
Coos County*							$ -	
Crook County					$ 16.18		$ 16.18	
Curry County						$ 10.76	$ 10.76	
Harney County*							$ -	
Jefferson County	$ 4.02	$ 2.51					$ 6.53	September 2016
Lane County		$ 1.40	$ 5.01				$ 6.41	
Linn County*							$ -	
Morrow County						$ 12.75	$ 12.75	
Multnomah County	$ 15.07	$ 17.47	$ 101.89	$ 2.63			$ 137.06	October 2020
Tillamook County*							$ -	
Total Bonds Sold	$ 19.09	$ 21.38	$ 106.90	$ 2.63	$ 131.49	$ 62.83	$ 344.32	
*Article XI-Q bonds authorized, but not issued.								

Apart from, and outside of the OCCCIF, the legislature has chosen to fund various county courthouse capital improvements projects (i.e., non-replacement) with General Fund, State Courthouse Facilities and Security Account, or from the federal American Rescue Plan Act.

Legislatively Adopted Budget

The legislatively adopted budget for the Oregon Courthouse Capital Construction and Improvement Fund totals $124.8 million, which is a decrease of $76.1 million, or 37.9%, from the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $60 million Other Funds, including $30 million for state matching funds (Article XI-Q bond) and $30 million local matching funds, for the Clackamas County Courthouse to complete replacement.
- $25.2 million Other Funds, including $12.6 million for state matching funds (Article XI-Q bond) and $12.6 million local matching funds, for the Morrow County Courthouse initial replacement funding.
- $21.2 million Other Funds, including $10.6 million for state matching funds (Article XI-Q bond) and $10.6 million local matching funds, for the Curry County Courthouse initial replacement funding.
- $17.7 million Other Funds, including $8.8 million for state matching funds (Article XI-Q bond) and $8.8 million local matching funds, for the Benton County Courthouse to complete replacement.

Capital Construction (State Supreme Court Building)

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	36,320,000	21,700,000	--	--
Total Funds	**$36,320,000**	**$21,700,000**	**--**	**--**

Program Description

This program includes capital construction expenditures for existing state-owned facilities, or for state-owned furnishings and fixtures in county-owned facilities. OJD owns a single building, the Supreme Court Building, which was constructed in 1914 and is the oldest building on the Capital Mall. All other buildings used by the Judicial Department are either leased from private parties or are owned and maintained by the county (e.g., circuit courthouse). The Appellate Court Services Division, under the Administration and Central Support Program Areas, is responsible for the Supreme Court Building Service Section.

Revenue Sources and Relationships
Other Funds are provided by proceeds of the sale of Article XI-Q general obligation bonds. Debt service for authorized Article XI-Q general obligation bonds is budgeted under the Department's Debt Service program and funded predominately with General Fund. Expenditure limitation provided for capital construction projects is for six years, as opposed to the normal two years, due to the time required to complete such projects.

Budget Environment
The Supreme Court Building is approximately 100 years old. In 2013, the Legislature began making needed investments in the building. Initially, this included $4.4 million in Article XI-Q bonds to support emergency repairs to stabilize the exterior terra cotta facing of the building and address dry rot and deterioration of the original wooden windows. In 2017, the Legislature approved $6 million in Article XI-Q bonds to initiate the renovation and seismic upgrade of the building. In 2019, the Legislature approved an additional $28.2 million in Article XI-Q bonds and in 2021 the Legislature authorized a final sale of $21.95 million in Article XI-Q bonds for the completion of the project, although only $11 million of these were sold. An additional $5 million in American Rescue Plan Act funds were authorized for the 2021-23 biennium to support non-bondable project costs. The total cost of renovations to-date is $57.2 million. The project was completed, and the building reoccupied, in November of 2022.

Legislatively Adopted Budget
The legislatively adopted budget for Capital Construction has been phased-out due to the completion of the Supreme Court Building renovation project.

Debt Service Program

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	19,262,851	26,053,320	47,253,780	58,989,610
Other Funds	9,390,816	274,570	--	260,000
Total Funds	**$28,653,667**	**$26,327,890**	**$47,253,780**	**$59,249,610**

Program Description
The Debt Service Program provides the funding to make payments on principal, interest, and financing costs associated with the issuance of general obligation Article XI-Q bonds and certificates of participation (COPs) which are both tax exempt government securities.

Revenue Sources and Relationships
OJD's debt service is funded predominately with General Fund; however, Other Funds debt service may be available for refinancing purposes from interest earnings on bond proceeds. Financing of issuance costs are paid as Other Funds from bond proceeds with agencies receiving net proceeds for project costs.

Budget Environment
Debt has been appropriated for three purposes: (1) finance the development and implementation of the Oregon eCourt system, an information technology project; (2) renovate and seismically upgrade the Supreme Court building; and (3) fund circuit courthouse constructions replacement projects through the Oregon Courthouse Capital Construction and Improvement Fund program (OCCCIF).

Until the 2013-15 biennium, OJD's debt service was related exclusively to repayment of certificates of participation for the Oregon eCourt Program. Debt service related to the Oregon eCourt Program was fully retired in Spring 2022. Beginning with the 2015-17 biennium, and in March of 2015, debt service was provided to repay Article XI-Q bonds proceeds related to the Oregon Supreme Court Building renovation. Debt service for the Oregon Supreme Court Building totals $5.1 million General Fund for the 2023-25 biennium.

Beginning with the 2015-17 biennium, and in March of 2015, debt service was provided for the repayment of Article XI-Q bonds related to the OCCCIF. Bond issuances have typically been on a 20-year repayment except for 2017, 2019, and 2023 Article XI-Q bonds issuances for the Multnomah County Circuit Courthouse, which were issued for 25-years. Debt service for the OCCCIF totals $53.9 million for the 2023-25 biennium.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Debt Service totals $59.3 million, which is an increase of $32.9 million, or 125%, from the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $11.7 million General Fund Debt Service on previously authorized bond issuances adjusted for bond market conditions and accelerated principal payments.
- $260,000 Other Funds Debt Service payments on previously authorized bond issuances.

For the OCCCIF and 2023 legislatively authorized bonds, there is no General Fund debt service for the 2023-25 biennium because the requested bond sale will be issued late in the biennium (March 2025). The 2025-27 biennium General Fund debt service cost is estimated to be an additional $11.8 million General Fund.

COMMISSION ON JUDICIAL FITNESS AND DISABILITY

Analyst: Borden

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	268,383	330,499	313,096	333,565
Total Funds	**268,383**	**330,499**	**313,096**	**333,565**
Positions	1	1	1	1
FTE	0.50	0.50	0.50	0.50

Overview

The Commission on Judicial Fitness and Disability investigates and acts upon complaints of judicial misconduct or disability. A violation of the Oregon Code of Judicial Conduct is basis for a finding of misconduct. The Commission does not have formally approved administrative rules but operates under rules of procedure.

Major updates to the Code of Judicial Conduct are reviewed by the Judicial Conference, which is comprised of all state court judges, and then approved by the Oregon Supreme Court. The Code of Judicial Conduct can also be updated by Chief Justice Order. Thus, the Supreme Court is charged not only with promulgating the Code, but also with the review and approval of Commission recommendations.

The Commission has jurisdiction over the following categories of judgeships: justices of the peace (32), circuit court judges (177), appellate court judges (20), Tax Court Judge (1), Tax Court Magistrates (3), temporary or pro-tem judges (± 120), judicial referees (± 39), and senior or "Plan B" semi-retired judges (± 55). In total, the Commission's current jurisdiction extends to approximately 400 judges. The Commission does not have jurisdiction over municipal court judges, arbitrators, administrative law judges, or federal judges. For complaints that are filed outside the jurisdiction of the Commission, the complainant is referred to the proper state or federal agency with jurisdiction over the conduct (e.g., Oregon Government Ethics Commission, federal court, etc.).

The nine-member Commission is comprised of three judges, three lawyers, and three members of the public. The executive director of the Commission is also an attorney in private practice. The Commission is co-located within the executive director's private law office. Commission members, as well as the executive director, recuse themselves when they have personal involvement or prejudice regarding a complaint or complainant. By statute, the Commission's initial complaint proceedings and records are confidential until such time as a public hearing is held on a formal charge. Also, the Commission considers all its proceedings non-public, including those pertaining to administrative matters.

A significant number of the complaints involve the legal determination of a judge, and, after initial review by the Commission, are dismissed because they fall outside the Commission's statutory authority to investigate judicial misconduct. Those complaints that are within its statutory authority are initially investigated. If there is sufficient evidence in support of a complaint, a formal investigation is conducted by outside counsel hired by the Commission. The outcome of the investigation could lead to the dismissal of a complaint, an informal disposition by the Commission, or a formal charge leading to prosecution. For a formal charge, a public hearing is held, the outcome of which is either the judge's exoneration or a recommendation by the Commission to the state's Supreme Court to censure, suspend, or remove the subject judge. The Supreme Court's determination on the Commission's recommendation is a final decision but may be appealed to the U.S. Supreme Court. At any point in the process, a judge may resign, retire, or enter into a stipulated agreement with the Commission by agreeing to the recommended sanction. Stipulated agreements must be approved by the Supreme Court.

Apart from misconduct investigations, statute provides a different course when a judicial disability is at issue. "Disability" means a physical or mental condition of a judge. This includes, but not limited to, impairment derived from habitual or excessive use of intoxicants, drugs or controlled substances that significantly interferes with the capacity of the judge to perform judicial duties. A disability may be permanent or temporary. In a matter where a judge's conduct is determined to be the result of a physical or mental disability, the Commission generally refers the matter directly to the Chief Justice for disposition. Statute allows for an informal disposition agreement for the subject judge to obtain professional counseling, medical treatment or other assistance or to comply with other conditions in respect to the future conduct of the judge. If an informal disposition is entered into, the Chief Justice may grant the subject judge a leave of absence with salary for a period of not more than one year.

Revenue Sources and Relationships

The Commission's budget is supported by General Fund. The Commission's statutory authority does not allow for the imposition of civil penalties or the recovery of any investigation or prosecution costs.

Budget Environment

The Commission's workload is variable and depends upon the number of complaints received and upon the number and complexity of any investigations and prosecutions initiated in response to complaints. A significant number of the complaints involve the legal determination of a judge, and, after initial review by the Commission, are dismissed because they fall outside the Commission's statutory authority to investigate judicial misconduct. Complaints that are within the Commission's statutory authority are initially investigated. If there is sufficient evidence in support of a complaint, a formal investigation is conducted by outside counsel hired by the Commission. The following table provides a ten-year workload summary for the Commission.

2012-2021 Calendar Year Averages (10-Years)			
Initial Complaints	Commission Investigations	Formal Investigations (outside counsel)	Prosecutions (outside counsel)
145.3	11.5 (7.9%)	1.2 (0.8%)	0.6 (0.4%)

Although considered a Judicial Branch agency, the Commission operates independently of the Chief Justice and the rest of the Judicial Branch. Neither the Judicial nor the Executive Branch makes recommendations or exercises budgetary control over the Commission's budget. The Commission does not have budgeted resources for budget, accounting, and website services. These activities are undertaken for the Commission by the Judicial Department and are provided without financial remuneration.

The budget is organized into the following areas: routine operational costs and extraordinary costs. The routine operating budget pays for a half-time executive director, office rental and supplies, meeting accommodations, travel reimbursements, complaint reviews, and initial investigations. Formal investigations and prosecutions are classified as extraordinary expenses since the Commission has no control over the number of valid complaints or their cost. Extraordinary expenses may include private attorney fees for investigations and trial, court reporter services, meeting space rental, executive director and board member travel expenses for formal hearings, and miscellaneous expenses.

The Legislature historically has provided the Commission with an approved budget for extraordinary expenses with the understanding that the Commission may return to the Emergency Board or the Legislature if extraordinary expenses exceed the available budget. In the 2015-17 biennium, the Legislature added $224,752 General Fund for extraordinary expenses related to two cases. Before that, the Commission's prior four Emergency Board appearances for extraordinary expenses occurred in 1995, 1996, 1998, and 2006 with allocations of $20,000, $50,000, $43,000, and $61,944, respectively. More recently, the Commission has managed with an extraordinary budget of approximately $21,000 per biennium.

Legislatively Adopted Budget

The legislatively adopted budget for the Commission totals $333,565 General Fund and includes one permanent part-time position (0.50 FTE). Funding in the amount of $21,839 is included for extraordinary expenses. The budget is $3,066, or 0.9%, more than the 2021-23 legislatively approved budget. Major budget adjustments include:

- $20,000 General Fund in one-time funding for a cloud-based case or matter management system for the tracking, reporting, and storage of complaints, investigations, and prosecutions.

PUBLIC DEFENSE SERVICES COMMISSION

Analyst: Borden

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	353,130,198	445,441,261	368,774,821	557,105,356
Other Funds	13,615,153	18,449,667	17,937,116	21,769,668
Total Funds	**$366,745,351**	**$463,890,928**	**$386,711,937**	**$578,875,024**
Positions	90	114	104	143
FTE	86.48	107.81	103.80	137.55

Overview

The Public Defense Services Commission (PDSC), by statute, is to "establish and maintain a public defense system that ensures the provision of public defense services in the most cost-efficient manner consistent with the Oregon Constitution, the United States Constitution, and Oregon and national standards of justice." Eligible persons are entitled to adequate legal representation in state court, at state expense, under provisions of the Oregon and federal constitutions and Oregon statutes. Public defense representation is not limited to criminal cases. Other constitutional and statutory provisions include: the right to appointed counsel in court proceedings involving life, liberty, and property, including habeas corpus, post-conviction relief, contempt, juvenile dependency, delinquency, and termination of parental rights, civil commitments for the mentally ill or developmentally disabled, and parole and probation violation proceedings. The U.S. Supreme Court has also held that the right to appointed counsel includes related costs such as expert witness and investigation expenses.

In 1955, the legislature authorized the appointment of counsel at trial when a criminal defendant was "without funds and unable to retain his own counsel" and required the counties to pay for public defense. Representation in the trial courts remained under the authority of each judge in the county in which their court was located. In 1963, the legislature created the Public Defender Committee responsible for appointing a State Public Defender to oversee appeals and post-conviction proceedings.

In 1981, the legislature transferred trial-level public defense from counties to the state under the Oregon Judicial Department (OJD), effective in 1983. This transfer was contemporaneous with the transfer of the administrative cost of the state court system from counties to the state. Under the transfer, counties retained the responsibility to provide suitable and sufficient court facilities for the statewide operation of circuit courts. City and county governments remain responsible for providing public defense in municipal and justice courts, respectively. In 2001, trial-level public defense, a division within OJD, and appellate-level representation under the State Public Defender, an executive branch agency, were combined to form PDSC, as an independent state agency within the Judicial Branch.

In 2021, the legislature expanded the Commission's membership from seven to nine members and modified the duties of the Commission, including policies on provider compensation, caseloads, and oversight (HB 2003). In 2023, the legislature reconstituted and renamed the Commission to the Oregon Public Defense Commission (OPDC) with an operative date of January 1, 2024, and transferred the Commission from the judicial branch to the executive branch of government with an operative date of January 1, 2025 (SB 337). The Office of Public Defense Services within PDSC will be abolished on January 1, 2024.

Formerly, Commission members were appointed by the Chief Justice of the Oregon Supreme Court and the Chief Justice served on the Commission as an ex-officio, nonvoting member. The Chief Justice also appointed the chair and vice-chair of the Commission, each of which serve two-year terms and may be reappointed. Under the reconstituted OPDC Commission, the Chief Justice no longer serves as an ex officio, nonvoting member; however, the Chief Justice will appoint the nine-member commission with three members recommended by the Legislative Assembly, three recommended by the Governor, and three chosen by the Chief Justice. Added are four nonvoting members including a member of the Senate, a member of the House, one public defense attorney from rural Oregon and one public defense attorney from an urban area. The reconstituted Commission takes effect on January 1, 2024. After that date, membership of the Commission remains upon transfer to the executive branch of government (January 1, 2025), but appointing authority transfers to the Governor.

Day-to-day operations of PDSC have been carried out by a Commission-appointed executive director who is responsible for hiring and managing agency staff. Under the reconstituted Commission, the Commission will appoint an executive director to a four-year term of office. The executive director and Commission members will serve at the pleasure of the Governor; however, beginning July 1, 2027, the executive director will again serve at the pleasure of the voting members of the Commission, but be subject to Senate confirmation. Commission members can only be removed by the Governor for inefficiency, neglect of duty, or malfeasance in office.

Other major SB 337 reforms include:

- Requires the Commission to promulgate and enforce standards, provide oversight and supervision, collect data, and regularly report to the Legislative Assembly on progress and needs (operative January 1, 2024).
- Requires the Commission to hire trial-level employee attorneys (operative January 1, 2024).
- Requires the Department of Administrative Services - Office of Economic Analysis to conduct caseload forecasting of future public defense services (operative January 1, 2024).
- Requires regular reporting to the legislature (operative January 1, 2024).
- Establishes an hourly pay formula for panel attorneys (operative July 1, 2025).
- Preserves PDSC's exemption from state personnel relations law (operative January 1, 2024).
- Removes various statutory exemptions including those governing procurement and information technology (operative January 1, 2025).
- Prohibits or disallows economic incentives or disincentives in the pay structure that could interfere with the ability of appointed counsel to provide effective assistance of counsel and prohibits flat fee contracting (operative July 1, 2025).
- Provides that the commission shall establish, supervise, and maintain a panel of qualified counsel who contract with the commission and are directly assigned to cases. The commission shall develop a process for certification of attorneys to the panel with periodic eligibility and case review (operative July 1, 2025).
- Prohibits provider subcontracting or directs the Commission to contract directly with providers, making the commission responsible for selecting, appointing, paying, and supervising the individual attorneys appointed to represent indigent defendants (operative July 1, 2027).
- Prohibits subcontracting with an exception for nonprofits (operative July 1, 2027).
- Directs a service delivery model of at least 20% state employees and 80% contract providers (operative January 1, 2031).
- Directs a service delivery model of at least 30% state employees and 70% contract providers (operative January 1, 2035).

PDSC's budget structure remains unchanged by SB 337; however, other budgetary changes were made including expanding the agency from nine to ten divisions with the addition of a Juvenile Trial Division and the re-naming of the former Juvenile Division to the Parent Child Representation Program, and the renaming of the Non-Routine Expense division to Pre-Authorized Expenses Division. The budget structure is comprised of the following:

- Executive Division: governance and executive leadership of the agency under the Commission.
- Compliance, Audit and Performance Division: review and accountability for the expenditure of state funding for public defense services.
- Appellate Division: state and federal appellate court legal representation.
- Adult Trial Division: trial-level representation for adults.
- Juvenile Trial Division: trial-level representation (for other than the Parent Child Representation Program) to eligible parents and children for juvenile delinquency, juvenile dependency, and those involving the termination of parental rights.
- Parent Child Representation Program Division: trial-level representation (for other than Juvenile Criminal Division) to eligible parents and children in cases of juvenile delinquency, juvenile dependency, and those involving the termination of parental rights.
- Pre-Authorized Expenses (formerly Non-Routine Expenses Division): for "reasonable and necessary" non-attorney public defense-related trial and appellate representation case costs.
- Court Mandated Expenses Division: funds trial and appellate routine expenses that do not require pre-authorization for billing, as well as for attorney services that are not billed under a provider contract.
- Special Programs, Contracts, and Distributions Division: activities indirectly related to the provisioning of public defense services.
- Administrative Services Division: provides agency-wide administrative support services.

Historically, as an independent agency within the Judicial Branch of government, PDSC has operated with uncommon autonomy. The Executive Branch made no recommendations and exercised no budgetary control over PDSC's budget since the Commission resided in a separate branch of government. The Chief Justice also made no recommendation and exercised no budgetary control over the Commission because the Judicial Branch does not have a unified budget like the Executive Branch. In other words, neither the Chief Justice nor the Governor reviewed or approved the Commission's recommended budget nor monitored PDSC's expenditures or business practices. Additionally, PDSC has been statutorily exempt from many common statutes governing operations that apply to Executive Branch agencies, such as human resources, procurement, and information technology. Under the current statutory construct, the oversight responsibility for PDSC fell exclusively to the Legislature. Under SB 337, however, the transfer of the Commission from the judicial branch to the executive branch of government on January 1, 2025 will remove most statutory exemptions enjoyed by the former Commission and the agency will become subject to the statutory requirements of executive branch agencies under the control of the Governor.

<u>Revenue Sources and Relationships</u>

PDSC is predominately supported by General Fund and limited sources of Other Fund revenue including:

- $16.3 million Federal as Other Funds for Title IV-E as reimbursement for state expenses. In 2019, a revision in federal policy allowed Oregon to claim Title IV-E funds for administrative reimbursement of costs associated with legal representation of a child or parent in foster care proceedings. The revision also covered the training of contracted legal service providers.
- $4.5 million Other Funds from fees associated with the Application Contribution Program (ACP), which provides judges the authority to order those who apply for court-appointed counsel to pay the administrative costs of determining their eligibility and a "contribution amount" toward the anticipated cost of the public defense before the conclusion of a case. PDSC will transfer 80% of ACP revenue ($3.6 million) to OJD to fund circuit court (income) verification staff.
- $1 million Other Funds expenditure for a one-time a subgrant from the federal Edward R. Byrne Memorial Justice Assistance Grant from the Criminal Justice Commission.

Budget Environment

Oregon statute broadly defines who is financially eligible for public defense. A person is presumed eligible for services if the applicant's income is less than or equal to the eligibility level for the federal food stamp program, unless the applicant has liquid assets that could be used to hire an attorney. If an applicant's income exceeds food stamp standards, the applicant is eligible for state-paid counsel only if the applicant's income and liquid assets are determined to be insufficient to hire an attorney suitable for the type of case pending against the applicant. Eligibility is determined by OJD eligibility analysts in circuit courts under the ACP.

PDSC has no legal authority to control the number of public defense cases the agency receives nor does PDSC have the authority to prioritize case-types. The demand for public defense services is influenced by many factors, including, for example, demographic, economic, statutory, scientific, law enforcement, prosecutorial, judicial, funding, as well as the decision-making of the agency. "Local practices" by law enforcement, district attorneys and circuit court judges also impact jurisdictionally the demand for public defense.

Demographic factors include population size, age, income distribution, and rate and types of crime. The state of the economy affects the number of people who are financially eligible for public defense services and may affect the level of resources available to local and state law enforcement, the prosecution, juvenile departments, local and state mental health and alcohol/drug treatment programs, the court system, local and state parole and probation services, as well as jail and prison space. Public defense is also impacted by changes in state and federal law and federal and state court decisions. Federal requirements in juvenile abuse and neglect matters have increased the number of hearings and the complexity of these cases, also adding to public defense costs.

When law enforcement is reduced or expanded because of economic conditions, the number of arrests and prosecutions can change. Locally-elected district attorneys are responsible for making prosecutorial charging decisions and can prioritize, by seriousness, the type and number of cases that are filed. Circuit courts can make docketing decisions that impact the timing of a case. Circuit courts have the ability to postpone cases due to a temporary lack of public defense representation, which increases the pending court backlog of cases. Increased case backlogs reduce the court's ability to process its docket of cases, which may result in an increased number of defendants who fail to appear on deferred cases once cases are scheduled for a court hearing. Inadequate funding of the court system may result in reduced hours of operation or court closures, which can result in violation of a defendant's constitutional right to a speedy trial and the dismissal of the case. The COVID-19 pandemic resulted in an increase in the filing of state habeas petitions, slowing the processing of criminal cases in circuit courts, and thereby creating a backlog of cases.

Caseload numbers do not correlate directly to costs. There are "inexpensive" cases and "expensive" cases. For example, initial dependency filings cost more than most felonies and termination of parental rights cases cost more than Ballot Measure 11 felony cases. Public defense has also become more complicated with a population more challenged by mental health, addiction, and housing issues, as well as the fact that cases are becoming more technically complex and taking longer to settle due to police body camera footage and advances in forensic science applied to both new and old cases, grand jury recordation, an increased emphasis on juvenile dependency representation, the added complexity and time commitment of specialty courts, for example. Such changes impact not only felony, but also misdemeanor cases. These factors have resulted in increasing concerns about public defender caseloads and ethical standards related to accepting cases in excess of caseload standards.

Historically, public defense at the trial court level has been accomplished primarily through a state-funded and administered contracting system with local providers who are a combination of nonprofit public defender offices, consortia of attorneys or law firms, private law firms, or individual attorneys for legal services. This model also includes the Parent Child Representation Program (PCRP). An estimated total of 721 attorneys in Oregon are contracted to do public defense, including 326 consortia attorneys, 241 non-profit attorneys, 107 private law firm attorneys, one sole practitioner attorney, and approximately 46 attorneys working on various statewide contracts.

In addition to community-based provider contracts, PDSC also has statewide contracts for post-conviction relief/habeas cases, post-conviction relief appeals, juvenile appeals, civil commitments/Psychiatric Security Review Board, immigration, forensics justice, and disability rights cases.

Legal representation on criminal matters for eligible persons at the appellate court level is primarily handled by state employees; however, beginning in 2023, the legislature established regional pilot programs and authorized the hiring of state employees for trial-level defense. Non-contract hourly paid attorneys are used to augment both trial and appellate level caseloads for specific categories of cases or on a case-by-case basis.

PDSC sets caseload standards for both adult and juvenile trial-level contracted public defense providers as well as caseload standards for the PCRP. Historically, PDSC has operated on an open caseload model for trial, appellate and PCRP programs. PDSC has moved trial-level public defense to a closed caseload model. Only the PCRP operates with an open caseload model. While PDSC has traditionally produced forecasted caseloads by case-type across trial, appellate and PCRP programs, that is no longer the circumstance due to recent service delivery model changes whereby PDSC is no longer able to produce a trial-level caseload forecasts nor has the agency been producing forecasts for appellate caseload or PCRP.

Contracts, as well as any contract amendments, are negotiated by PDSC and approved by the Commission. Instead of contracting based on the number and types of cases an entity would handle over the contract period, PDSC contracts based on the number of attorneys working for the entity, what attorney capacity they would dedicate to appointed casework and their qualification levels. Provider contracts fund not only attorney compensation, but also the cost of employee benefits and overhead costs. Moreover, each attorney is required to have at least 0.50 FTE in support staff, which is covered by the contract. Outside of PDSC's procurement process, some providers may subcontract their public defense work to other providers. Some PDSC contractors also provide in-house services such as attorney supervision, attorney training, and staff investigators, which are negotiated under trial-level provider contracts. In an effort to both retain and attract attorneys, attorney retention bonuses have been funded in both the 2021-23 and the 2023-25 biennia.

Oregon's public defense system is one of the most studied components of Oregon's criminal, juvenile, and civil commitment justice systems. There have been no fewer than 20 studies and reports on public defense services since the transfer of responsibility for public defense to the state in 1983. Studies were conducted by the Judicial Department, the Criminal Justice Council, the Legislature, the Oregon State Bar Association, American Bar Association (ABA), the federal government and PDSC itself. Recent studies funded by the legislature include a Sixth Amendment Center study and an ABA/Moss Adams study, with the later purpose to update the 1973 caseload standards. The legislature convened a "Tri-Branch Workgroup" to evaluate reform of the state's public defense system. There has also been a more recent RAND Corporation study of national public defense workloads (2023), although PDSC was not consulted and did not fund this study. Recently, PDSC entered a contract for yet another study to develop a five-year plan to reduce the deficiency in public defense representation.

The most consequential of the studies has been the one released by the Sixth Amendment Center in January of 2019. The study found multiple issues with the case credit model and called for its abolishment. The state's method of contracting for public defense services, a fixed fee per case model, did not meet constitutional standards. The contract model was based on case credits that valued work based on a level of punishment the crime carried. The case credits model paid most contractors a fixed fee per case without regard to how much or how little time the case requires of the attorney and thereby "...pits appointed lawyers' financial self-interest against the due process rights of their clients..." The model was reported to be overly complex, missing a fundamental understanding of individual attorney workloads, and lacking in basic oversight to ensure that constitutional standards of representation were being met. The study also found that contracts should account for provider overhead costs. The study found that the Commission did not adhere to national standards for commission member representation, and, more importantly, that the Commission lacked the necessary statutory scope to ensure effective assistance of counsel throughout the state. In addition, the study found an absence of policies and procedures, and the few that did exist were not being followed by the agency.

PDSC proved ill prepared to implement many of the Sixth Amendment Center findings and developed no formal implementation plan. Absent a plan, the Commission undertook a series of changes to the procurement of provider services that resulted in numerous unintended consequences to the State's public defense system. The Commission's decisions led to systemic challenges with the delivery of public defense services and revealed more fully the issues with the Commission's administration of the public defense system. Some of these issues are:

- Governance Issues: loss of confidence in the governance, management, financial management, and administration of the agency.
- Fiduciary Issues: absence of standard state agency practices around procurement, financial and fiduciary controls, budgeting, accounts payable, internal audit, human resource management, information technology, and performance management, including data management and quality control standards.
- Legacy Issues: rates of pay for public defense contractors; outdated caseload standards and attorney caseloads that exceeds national standards; lack of public defense attorney capacity; retention of experienced public defenders; unreimbursed costs of public defense organizations (i.e., management, administration, information technology, training, etc.); below market compensation for private hourly-paid attorneys and investigators; and difficulty hiring qualified attorneys.

The State's current unrepresented defendant/persons crisis can be viewed in part as a derivative of longstanding and unaddressed or improperly addressed issues with the cause of the crisis facing the state is multifaceted, but understandable and definable. However, most key variables are presumed rather than quantitatively determined, which challenges the accuracy of the problem definition and resulting options for resolution. The current crisis is driven by a deficit in attorney capacity. The deficit can be largely explained by the backlog of caseloads arising from the pandemic adding to existing caseloads; however, other key factors also come into play such as: (1) increasing caseloads due to higher rates of crime for primarily serious crimes; (2) changes to PDSC contract delivery model that reduced attorney caseload requirements; (3) provider attorney compensation; and (4) increased complexity of cases (e.g., clients with acute behavior health issues; electronic discovery; body camera footage, etc.). To a lesser extent, contributors also include: changes in law; macroeconomic factors, such as increased inflation impacting provider's cost of business; and what has been a more competitive marketplace for legal services, which includes the hiring of a large number of public attorneys both within and outside the public defense system (e.g., PDSC administration staff, Parent Child Representation Program, Department of Justice - Child Advocacy, etc.). Combined, these factors have led to an inability of providers to recruit, hire, and retain public defense counsel to meet caseload demands.

The active denial of legal counsel places the defendant/persons (and the state) in legal jeopardy and poses a threat to public safety. Active denial of counsel and a criminal defendant/person's right to speedy trial leads to the violation of the constitutional rights of a defendant/person under the Sixth and Fourteen Amendments of the United States Constitution. The state can, and currently is being, sued for denying indigent defendant/persons state-funded counsel.

Two recent federal court rulings ordering the release of in-custody defendants underscore the importance of resolving the crisis. A recent federal court ruling ordered that eligible defendants in Washington County jail in a criminal case without a public defender being provided within 10 days of arraignment must be released from custody. A second federal court ruling required that sheriffs statewide release criminal defendants held in jail without a lawyer within seven days of their first court appearance. A federal appellate court has temporarily delayed the lower court's order while the state's appeal of the decision is considered.

Legislative frustration with PDSC mounted with the Commission's response(s) to the Sixth Amendment Center study and various legislative directives, which then culminated with the unrepresented defendant/persons crisis. A legislative workgroup ("Three Branch Workgroup") was formed after the 2021 Legislative session to study the systemic issues facing PDSC and make recommendations to the legislature. The Workgroup submitted legislation with the initial recommendations (HB 2841 and SB 337). Legislative proposals were further refined over the course of the 2023 session culminating in the passage of SB 337. A "Public Defense Package Workgroup" developed a comprehensive funding plan for public defense, including funding for the unrepresented defendant crisis.

Overall, PDSC has efforts underway to: (1) resolve the systematic issues within the agency through the development and implementation of a comprehensive remediation plan; (2) undertake efforts within the Commission's control to resolve the unrepresented defendant/persons crisis; (3) plan and implement the SB 337 reform initiatives, including the agency's transition to the executive branch; and (4) plan and implement other long-term initiatives related to addressing the systemic issues within the public defense system. This represents a significant workload for the agency, and PDSC is facing the most significant series of challenges and paradigm shifts in the agency's history.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for PDSC is $578.9 million total funds, including $557.1 million General Fund and $21.8 million Other Funds. The total funds budget is $115 million, or 24.8%, more than the 2021-23 legislatively approved budget. The budget includes 143 positions (137.55 FTE), which is 29 positions (29.74 FTE) more than the prior biennium.

The 2023 Legislature's "Public Defense Package" made statutory changes and investments to reform and stabilize the state's public defense system, addressing the unrepresented defendant/persons crisis, and providing clarity for post-conviction relief challenges of nonunanimous jury decisions as well as supplemental funding. Two policy measures (SB 337 and SB 321) and portions of two budget measures comprised the package (SB 5532 and SB 5506), which when combined represent a total investment of $96.9 million General Fund. Of this General Fund investment, $58.9 million was directed to stabilize the public defense system, $17.2 million to resolve the unrepresented defendant/persons crisis, $15.8 million to reform the public defense system, and $5 million for nonunanimous jury decisions. The immediate investment in PDSC totals $73.6 million, with $2.1 million for the Judicial Department, and $21.2 million in contingency funding for the Emergency Board, of which $1 million is for District Attorneys and for nonunanimous jury decisions.

The adopted budget includes the following investments to operationally stabilize the public defense system:

- $114.5 million General Fund to carry forward 2021-23 biennium Emergency Board actions.
- $21.3 million General Fund to fully fund forecasted caseloads for provider contracts in the Adult Trial, Juvenile, and Parent Child Representation Program divisions.
- $14.6 million General Fund to increase hourly compensation for attorneys, investigators, and interpreters.
- $9.9 million General Fund for one-time incentive compensation for the retention of recently hired as well as experienced contract providers.
- $6 million General Fund of existing resources to discretely budget the reimbursement of county discovery costs for financially eligible defendants.
- $2 million General Fund and seven permanent full-time positions (7.00 FTE) to convert limited duration positions to permanent full-time positions.
- $1.5 million General Fund for court-appointed contract counsel in civil circuit court to represent financially eligible individuals when the estate of the protected person is insufficient to pay the expense of private counsel.
- $1 million Other Funds in one-time funding for the potential receipt from the Criminal Justice Commission of a subgrant from the Edward R. Byrne Memorial Justice Assistance Grant.

- $929,270 General Fund in one-time funding for the continuation of an information technology support services contract with the Judicial Department.
- $902,665 General Fund for an increase in court transcription fees.

The adopted budget includes the following investments to reform the public defense system:

- $7.9 million General Fund and five limited duration positions (5.00 FTE) in one-time funding to complete a financial and case management system.
- $1.6 million General Fund and one limited duration (1.00 FTE) and seven permanent full-time positions (3.88 FTE) for project management, training, policy and procedure development, and accounting staff.
- $525,000 General Fund in one-time funding for the acquisition and delivery of a statewide training program.
- $250,000 General Fund in one-time funding for a survey and economic analysis to calculate minimum hourly compensation for appointed counsel.
- $112,234 General Fund for the compensation of commission members.

The adopted budget includes the following investments to address the unrepresented defendant crisis:

- $5.4 million General Fund in one-time funding for the unrepresented defendant/persons crisis, including $3.4 million for continuing caseloads and $2 million of bridge funding until the regional pilot program becomes operational.
- $4.3 million General Fund and 17 permanent full-time positions (14.37 FTE) for a regional pilot program and hiring of state employees to serve as trial-level appointed counsel to help address the unrepresented persons crisis in Southern and Western Oregon.
- $386,316 General Fund in one-time funding for an Expedited Case Resolution Docket in the 4th Judicial District - Multnomah County Circuit Court.

The adopted budget included the following investments to address nonunanimous jury convictions:

- $3 million General Fund in one-time supplemental funding for nonunanimous jury convictions and hourly compensation for contractors.

Apart from PDSC's budget, the legislature set-aside the following contingency reserve funding:

- $6.2 million General Fund for a public defense contingency.
- $5 million General Fund for the Commission's transfer to the executive branch of government.
- $5 million General Fund for the unrepresented defendant/persons crisis, including $1.4 million for a potential Central Regional Pilot program of state employees.
- $3 million General Fund for adult and juvenile caseload changes.
- $1 million General Fund for nonunanimous jury convictions.

Executive Division

	2019-21 Actuals*	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$3,693,464	3,201,876	4,163,436
Total Funds	**--**	**3,693,464**	**$3,201,876**	**$4,163,436**
Positions	--	8	6	9
FTE	--	7.88	6.00	9.00

*Prior budget cycle information unavailable, as this was a newly established division in 2021-23.

Program Description
The Executive Division was established at the direction of the Legislature to provide a structure for the governance and executive leadership of the agency under the Commission. The Division is organized into the following sections: (1) Administration; (2) Office of the General Counsel; and (3) Communications and Legislative Affairs. The Commission is part of this division as well as one administrative staff for PDSC's office in the Multnomah County Courthouse.

Revenue Sources and Relationships
The Executive Division is supported by General Fund.

Budget Environment
The Office of General Counsel provides in-house legal advice to the Commission and the agency, establishes policies and procedures, performs quality assurance assessments of providers in each judicial district, receives and coordinates the handling of complaints regarding expenditures and the quality of legal representation, and reviews certificates of attorney qualifications; however, the office now requires reconstitution, as the Office's scope and mission have changed based upon the Legislature's establishment of the Compliance, Audit and Performance Division (discussed below).

The Sixth Amendment Center study found that the Commission did not adhere to national standards for commission member representation and, more importantly, that the Commission lacked the necessary statutory scope to ensure effective assistance of counsel throughout the state. In addition, the study found an absence of policies and procedures, and the few that did exist were not being followed by the agency. In December of 2022, PDSC reported to the Emergency Board that the statutes of the agency have not been reviewed or updated in years, and that 200 policies and procedures either need updating or do not exist and needed to be developed.

The duties of the Commission reconstituted under SB 337 (2023) include, but are not limited to:

- Reconstitutes and renames the Commission.
- Directs the Commission to establish a minimum standard of delivery of public defense services.
- Directs development and overseeing implementation, enforcement, and modification of policies, procedures, and standards, and guidelines to ensure effective public defense/assistance of counsel.
- Requires that provider contracts include collection of data necessary for reporting to the legislature.
- Directs the Commission to hire trial-level attorneys.
- Ensuring policies that create a standardized process for determining and verifying financial eligibly for public defense services.
- Direct the Commission to ensure all public defense provider contracts provide for compensation that is commensurate with the character of service performed.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $4.2 million General Fund includes nine positions (9.00 FTE). The budget is $469,972, or 12.7%, more than the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $546,768 General Fund and two permanent full-time positions (2.00 FTE) to provide policy analysis and advice, recommend systems and organizational improvements, conduct project management, evaluate forms and record systems, track legislation, respond to complaints, and review and revise policies and procedures.
- $302,558 General Fund and one limited duration Program Manager 3 position (1.00 FTE) to plan and implement the transition of the agency to the executive branch of government.
- $112,234 General Fund to fund a monthly stipend to commissioners, which is in addition to per diem.

Compliance, Audit and Performance Division

	2019-21 Actuals*	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$4,426,309	5,082,565	6,400,917
Total Funds	**--**	**$4,426,309**	**$5,082,565**	**$6,400,917**
Positions	--	13	11	17
FTE	--	11.27	11.00	16.38

*Prior budget cycle information unavailable, as this was a newly established division in 2021-23.

Program Description
The Compliance, Audit and Performance Division (CAP) was established at the direction of the Legislature to independently monitor, measure, and report on the quality of Oregon's public defense being provided by PDSC at the appellate and trial-level, as well as provide for the review and accountability for the expenditure of state funding for public defense services. The Division and its budget are organized into the following sections: (1) Administration; (2) Trial Criminal Compliance; (3) Juvenile/Parent Child Representation Program (PCRP) Compliance; (4) Research; and (5) Internal Audit, which is to report to the Commission and the Commission's Audit Subcommittee. The 2023 Legislature staffed and added a training section to the Division.

CAP and its various sections operate autonomously from all other legal and administrative divisions within PDSC and exercise no managerial, supervisory, programmatic, or operational control over any other division or program. This structure allows for independent assessment and reporting directly to the Commission of the agency's performance.

The Division is overseen by a General Counsel position who serves as the Division Chief, as approved by the Emergency Board in September of 2022. The position was determined to be needed to redress the material deficiencies noted in the CAP Division, as reported to the Emergency Board and to manage and supervise the existing resources within the Division.

The CAP Division also includes the Chief Trial Criminal Defender and Deputy Defender and the Chief Juvenile Defender and Deputy Defender, who are responsible for direct program administration and to establish policy, procedure, and guidelines for each division as well as provide training and other assistance to providers. These non-CAP positions will need to be transferred to their respective programs in a future budget adjustment.

Revenue Sources and Relationships
The Compliance, Audit and Performance Division is supported by General Fund.

Budget Environment

PDSC's independent contractor model is not conducive to robust quality control. A contract administrator for a contracting entity is, by contractual terms, charged with quality assurance but is not specifically compensated to perform this function. PDSC's efforts at quality control and assurance involved the Office of the General Counsel performing quality assurance assessments of contract providers in each of 27 judicial districts through a peer review process. This program involved a volunteer group of public and private defense attorneys and other professionals as well as PDSC staff to devote two and a half days to on-site interviews that were then coupled with other study and analysis to ascertain the quality of representation being provided by a particular contractor or contractors in the county or district. PDSC's quality control and assurance model, while well-intended, was inherently limited by its not having dedicated or assigned professional staffing or having a more robust and routinized review process across the 27 judicial districts or by having no in-house ability to conduct financial audits of providers.

The establishment of the CAP was designed to bring a heightened level of accountability to Oregon's public defense system and to improve public defense outcomes through a robust monitoring of the quality-of-service delivery and the expenditure of funds at all levels of public defense. CAP is to provide for the following services: (a) vendor contract compliance; (b) auditing of vendors/contractors; (c) internal auditing of agency expenditures; (d) research and analysis; and (e) development and maintenance of performance measures, including key performance measures and supporting internal key performance indicators. While PDSC has a strong conceptual understanding and commitment related to the importance of CAP, a significant amount of planning work remains to operationalize the CAP Division.

The Commission had established an Audit Subcommittee comprised of one Commission member reporting to the full Commission. An internal audit plan and framework has been approved by the Commission. After years of delay, PDSC filled one of two permanent full-time Internal Auditor positions that were approved by the 2021 Legislature. To date, the audit contractor appears to have only completed two internal audits of the agency.

In addition, the 2021 Legislature appropriated $350,000 General Fund for an independent external financial and performance audit of PDSC. The external audit was released in August of 2022 and contained 11 significant audit findings, four observation, and seven process improvement recommendations. PDSC's progress on completing the audit findings is unknow at this time.

The 2021 Legislature directed PDSC to undertake a comprehensive review and restructuring of the Commission's Key Performance Measures and targets. Over the course of almost two years, the Commission has undertaken little discernable effort to comply with the direction of the Legislature. In addition, the Commission has had little to no substantive discussion surrounding the quality of representation. The absence of meaningful performance measures and standards of quality for public defense leaves in question whether the funding of the public defense system is being effectively and efficiently used to achieve the desired outcome(s) for financially eligible defendants/persons.

The duties of the Commission reconstituted under SB 337 (2023) include, but are not limited to:

- Requires the Commission to promulgate and enforce standards, provide oversight and supervision, collect specific data, and regularly report to the Legislative Assembly on progress and needs (January 1, 2024).
- Requires Department of Administrative Services - Office of Economic Analysis caseload forecasting (January 1, 2024).
- Requires the Commission to set minimum standards by which appointed counsel are trained and supervised (July 1, 2024).

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $6.4 million includes 17 positions (16.38 FTE). The total funds budget is $2 million, or 44.6%, more than the 2021-23 legislatively approved budget. The adopted budget included the following investments:

- $801,080 General Fund and one permanent full-time Deputy General Counsel to serve as a statewide training coordinator (0.88 FTE), one permanent full-time Operations and Policy Analyst 4 (0.75 FTE) and one permanent full-time Operations and Policy Analyst 3 (0.75 FTE) for policy, procedure, and rule development (SB 337, 2023).
- $479,016 General Fund and two permanent full-time Operation and Policy Analyst 2 positions (2.00 FTE) in the Research Section.
- $419,056 General Fund and one permanent full-time General Counsel position to serve as the Division Chief of the CAP Division. This position was first approved by the September 2022 Emergency Board.
- $380,800 General Fund reduction removes funding for a completed external financial and performance audit of the agency that should have been phased-out during the 2023-25 budget.

Appellate Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	23,327,847	$22,321,083	25,992,983	24,491,812
Total Funds	**$23,327,847**	**$22,321,083**	**$25,992,983**	**$24,491,812**
Positions	56	58	58	58
FTE	55.80	57.38	57.80	57.80

Program Description
The Appellate Division was re-established to provide state and federal appellate court legal representation for financially eligible persons on criminal matters, and for parents in juvenile dependency and termination of parental rights appellate cases. The Division also represents inmates requesting judicial review of Board of Parole and Post-Prison Supervision decisions. The Division and its budget are organized into the following sections: (1) Administration; (2) Criminal Appellate; and (3) Juvenile Appellate.

The original Appellate Division was established in 2001 when the state Public Defender agency was merged with the trial-level public defense function, a division within the Oregon Judicial Department, to form PDSC. The state, however, has been responsible for appellate-level indigent defense since 1964 when the State Public Defender was first established.

Revenue Sources and Relationships
The Appellate Division is supported by General Fund.

Budget Environment
The Division is the defense counterpart to the Oregon Department of Justice's Appellate Division, which defends the state in criminal appeal cases. One notable difference between DOJ and PDSC's appellate divisions is DOJ's Appellate Division is responsible for litigating civil and administrative appeals. PDSC's appellate-level services, both criminal and juvenile, are primarily state-employed staff attorneys; however, a certain number of cases are out-sourced due to attorney/client legal conflict of interest or workload issues to a panel of appellate attorneys approved by the agency or to a defense provider pursuant to contract.

Legal representation is primarily in the Oregon Court of Appeals and the Oregon Supreme Court, although the Division has occasionally appeared in the U.S. Supreme Court. The Juvenile Appellate Section handles dependency

and termination of parental rights cases appealed to the Oregon Court of Appeals. The Division may also serve as a resource for trial-level contract counsel. The goal of the division is to brief cases within 180 days.
The Criminal Appellate Section's workload is driven by the number of criminal and parole appeals and the legal complexity of the appealed cases. Statutory changes, ballot initiatives, and United States and Oregon appellate court decisions also affect the number of appeals that are filed.

The Juvenile Appellate Section (JAS) handles dependency appeals from juvenile court judgments asserting jurisdiction over a child or changing a child's permanency plan away from reunification with their family. The section represents parents in most of the dependency cases on appeal. Dependency and termination of parental rights (TPR) appeals are expedited under Oregon Rules of Appellate Procedures adopted by Oregon's Court of Appeals. JAS only retains the cases that the section can resolve within the established timelines with all other cases assigned to outside counsel.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $24.5 million and includes 58 positions (57.80 FTE). The total funds budget is $2.2 million, or 9.7%, more than the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $1.4 million General Fund reduction in Services and Supplies for a transfer of budget to Court Mandated Expenses, which was a rebalance action approved by the June 2022 Emergency Board.
- $141,171 General Fund reduction removes the carryforward amount should have been phased-out during the 2023-25 budget build.

Adult Trial Division

	2019-21 Actuals*	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$256,783,385	180,964,555	267,580,283
Other Funds		$4,000,000	--	--
Total Funds	**--**	**$260,783,385**	**$180,964,555**	**$267,580,283**
Positions	--	--	--	17
FTE	--	--	--	14.37

*Prior budget cycle information unavailable, as this was a newly established division in 2021-23.

Program Description
The Adult Trial Division (ATD) supports trial-level public defense for financially eligible adults. The Division and its budget are organized into the following sections: (1) Administration; (2) Appellate; and (3) Trial Level. The 2023 Legislature added a section to the division for the pilot program staffed with state employees. The Division is overseen by a Chief Trial Criminal Defender, which, along with other Deputy Defender staff, will need to be transferred into the Division from their temporary budget assignment in the CAP program.

Revenue Sources and Relationships
The Adult Trial Division is supported by General Fund.

Budget Environment
Historically, the majority of adult trial-level public defense representation in Oregon has been accomplished through individual contracts with independent contractors: (a) non-profit public defender offices that only perform public defense work with some offices being unionized and subject to collective bargaining (36%); (b) consortia of public defense attorneys working under a single public defense contract that is managed by an administrator (48%); (c) private law firms or professional corporations that undertake both public defense and non-court appointed legal representation (16%); and (d) sole practitioners or non-contract attorneys, which may undertake both public defense and non-public defense work (0.3%).

The ATD utilizes a Maximum Attorney Capacity (MAC) service delivery model, which is the maximum number of cases an attorney should not exceed over the course of one year and varies according to the types and seriousness of various cases, case qualification of the attorney, and based on the percentage of time they devote to public defense. ATD also contracts with providers for supervision, training, and investigation. The ATD caseload standards are murder (6); Jessica's Law (6); Ballot Measure 11 (45); major A/B felonies (138); minor C felonies (165), misdemeanors (300); civil commitments (230); and probation violation (825). A mixed caseload is calculated proportionately based upon a 300 weighted caseload. For the 2023-25 legislatively adopted budget, provider contracts total $255.6 million General Fund and fund 466.35 Maximum Attorney Capacity (MAC) at an average annual qualifications-based rate of $241,218. The amount excludes incentive bonuses. Post-legislative session, PDSC began reporting materially different and higher levels of MAC being funded in the 2023-25 legislatively adopted budget that had been previously reported to the legislature. PDSC's current MAC estimate now totals 454.85. In addition, the ATD contracts with providers for supervision, training, and investigation; however, post-legislative session PDSC states that the agency has only one of two fiscal years of funding for these costs.

The Adult Trial Division uses a closed caseload model, and no viable caseload forecast has been produced for the division. Provider contracts only account for new cases and do not account for existing caseloads. According to PDSC, "When most public defense providers sign contracts, they are already carrying a caseload from the previous contracting period. Thus, it is possible for a provider to have executed a contract and at the outset of the contracting period be unable to accept new case assignments if their current caseload does not ethically permit them to accept new cases and still provide adequate representation."

In addition to community-based provider contracts, PDSC has statewide contracts for post-conviction relief/habeas cases, post-conviction relief appeals, juvenile appeals, civil commitments/Psychiatric Security Review Board, immigration, forensics justice, and disability rights cases. Caseload standards for some of these contracts are Post Conviction Relief/Habeas Corpus (45); Post Conviction Relief appeals (50); juvenile appeals (32); and civil commitment appeals (60). For the 2023-25 biennium, this included an additional 2.56 MAC for community provider contracts to bring total ATD Statewide MAC to 12.36. Post-legislative session, PDSC began reporting materially different and higher levels of MAC being funded in the 2023-25 legislatively adopted budget that had been previously reported to the legislature. PDSC's current statewide MAC estimate now totals 42.18.

Historically, contracts, as well as any contract amendments, are negotiated by PDSC staff and approved by the Commission. SB 337 eliminates the requirement that the commission approve each contract. Public defense policies within the contract must be approved by the commission. But once those policies have been adopted, PDSC no longer has to take each contract before the commission for approval.

Provider contracts fund not only attorney compensation, but also overhead costs. Moreover, each attorney is required to have at least 0.50 FTE in support staff, which is covered by the contract. Outside of PDSC's procurement process, some providers subcontracted their public defense work to other providers. Some PDSC contractors also provide in-house services such as attorney supervision, attorney training, and staff investigators, which are negotiated as part of trial-level provider contracts. All contract providers and hourly attorneys rely upon funding for hourly provided services, including those of investigators.

As independent contracts, public defense providers have the discretion to determine key factors related to the delivery of public defense services. For example, while PDSC established contract compensation amounts for an attorney, providers themselves determine the actual rate of pay for an attorney under their employ. Providers also determine the priority of cases. Violations of independent contractor law by PDSC could result in a determination that public defense providers are actual employees of PDSC and entitle providers to receive the pay and benefits that state employees receive backdated to the date of their "employment." Lastly, while PDSC pays providers uniform rates, there may exist disparity between actual rates of pay within individual contractor providers.

Oregon Rules of Professional Conduct for attorneys require an attorney to not accept cases or to withdraw from cases that would materially limit their representation of other clients. Due to independent contractor law, once an attorney determines they have an ethical conflict and cannot take on any more cases, PDSC is limited in the agency's ability to both evaluate or question an attorney's ethical decision-making or to direct an attorney to exceed their "ethical capacity." PDSC makes no adjustment (i.e., reduction) to a provider's contracts based on contracted vs. ethical capacity. This complicates the determination of actual attorney capacity, as PDSC has no way of pre-determining an attorney's ethical limit. Lastly, it is important to note that under the prior fixed fee per case model, which placed an appointed lawyers' financial self-interest against the due process rights of their clients, concerns regarding ethical capacity rarely, if ever, existed.

In response to the Sixth Amendment Center Study, PDSC embarked on the following major changes over the course of three years:

- Case Credit/Flat Fee Model: Prior to January 1, 2021.
- Legal Representation Unit Model: effective January 1, 2021 for the 2021 calendar year.
- Full-Time Equivalent Model: effective for the July 2022 contract period.
- Maximum Attorney Capacity Model: effective for the July 2023 to June 30, 2025 contract period.

The single most significant issue is that after moving away from the case credit/flat or fixed fee model, PDSC is no longer able to quantify or forecast caseloads. The last time PDSC reported on caseloads by case-type was in 2019. In addition, PDSC has never financially reconciled each contractual change with providers. Each of the contract changes that were approved by the Commission were supposed to be budget neutral, but that has not been the case; with each change exceeding the legislatively approved budget.

The qualifications-based compensation system adopted by the Commission is leading to a material distortion of both the MAC by major case category and budgeted cost. The model is not reflective of caseloads, but instead reflects provider compensation. The result is a more costly approach in terms of provider funding than is required and leads to the overcompensation of select providers and a reduction in overall funded MAC.

In addition, the major case categories that are being used to determine MAC and to develop an expenditure plan do not align with historic nor forecasted caseloads. For example, MAC is materially understated for misdemeanors and materially overstated for murders, as compared to historic data. Such up-qualifying, besides creating a disconnect between forecasted vs. budgeted resources, results in lower-level cases costing materially more than the qualifications-based pay scale would otherwise dictate. This will make future supplemental funding request difficult to justify.

Under the new MAC model, some contractors are not accepting new cases up to their contract caps due to ethical concerns even though the provider is being paid for the full MAC. At the same time, some providers are reaching those contract caps and saying that they could take on additional cases. Under the Temporary Enhanced Increase Program providers who have reached their MAC limit are able to take cases from the Unrepresented list at an enhanced hourly rate, if they first attest, they are able to do so while ethically providing representation to all their clients.

Legislative and PDSC efforts have been taken to increase provider compensation and retain existing provider capacity through one-time incentive bonuses for the 2021-23 biennium: (a) an existing attorney retention and incentive program ($15,000 per attorney with 1.0 MAC and proportionately reduced for attorneys working less than 1.0 MAC); and (b) new attorney incentive payments ($20,000 for new 1.0 MAC attorney plus an additional $20,000 incentive payment if that attorney continued under the contract for an additional three months). For the 2023-25 biennium, funding was provided for another incentive compensation increase for the retention of both recently hired contract providers as well as experienced contract providers ($20,000 longevity bonus and $10,000 for recently hired attorneys).

Further legislative efforts to add attorney capacity, beginning with the 2023-25 biennium, include a pilot program for trial-level state employees who are dedicated exclusively to work related to the unrepresented defendant/person crisis and those individuals in custody and in jurisdictions where the crisis is most severe. This represents a major paradigm shift by state employees to do trial-level work where, previously, state employees were only employed in appellate cases. The 2023 Legislature provided funding to PDSC for a Western Oregon Regional Pilot starting October 1, 2023 (Washington, Multnomah, and Clackamas counties) and a Southern Oregon Regional Pilot starting December 1, 2023 (Jackson, Douglas, and Klamath counties) as well as a position for overall program administration. A third Central Regional Pilot (Linn and surrounding counties), with an operative date of April 1, 2024, is being held in reserve by the Emergency Board pending the outcome of the first two pilot programs. The Legislature will evaluate the long-term need for the pilot program positions to see whether the positions should transition to provide routine trial-level work after the unrepresented defendant/persons crisis has been resolved. At present, the workload standards for state trial-level employees have yet to be developed.

Regarding capacity, the state employee pilot programs added $4.6 million General Fund and eight attorney positions (6.77 FTE), plus one Chief Deputy Defender to oversee the pilot program (0.92 FTE). Funding included two Legal Secretaries (1.67 FTE), two Paralegals (1.67 FTE), and four Program Analysts/Investigators (3.34 FTE). State attorney positions are ineligible to participate in the provider incentive bonus plan.

The duties of the Commission reconstituted under SB 337 (2023) include, but are not limited to:

- Establish a Trial Division.
- Hire trial-level employee attorneys (January 1, 2024).
- Promulgate and enforce standards, provide oversight and supervision, collect specific data, and regularly report to the Legislative Assembly on progress and needs (January 1, 2024).
- Requires the Department of Administrative Services - Office of Economic Analysis to complete caseload forecasting (January 1, 2024).
- Regular reporting to the Legislative Assembly (January 1, 2024).
- Establish an hourly pay formula for panel attorneys (July 1, 2024).
- Preserve PDSC's exemption to chapter 240 - State Personnel Relations (operative January 1, 2024), while removing some statutory exemptions from statutes governing human resources, procurement, and information technology (operative January 1, 2025). Prohibit or disallows economic incentives or disincentives in the pay structure that could interfere with the ability of appointed counsel to provide effective assistance of counsel and prohibits flat fee contracting (operative July 1, 2025).
- Establish, supervise and maintain a panel of qualified counsel who contract with the commission and are directly assigned to cases. The commission shall develop a process for certification of attorneys to the panel with periodic eligibility and case review (operative July 1, 2025).
- Prohibits provider subcontracting or directs the Commission to contract directly with providers, making the Commission responsible for selecting, appointing, paying, and supervising the individual attorneys appointed to represent indigent defendants (July 1, 2025).
- Prohibits subcontracting with an exception for nonprofits (operative July 1, 2027).
- Move to a service delivery model of least 20% state employees and 80% contract providers (January 1, 2031).
- Move to a service delivery model of least 30% state employees and 70% contract providers (January 1, 2035).

The prospective change to the consortia model made by SB 337 (2023), which will prohibit subcontracting (with an exception for nonprofits) beginning on July 1, 2027, has raised concern about what impact the change will have on provider capacity as consortia currently provide almost 50% of provider capacity.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the ATD totals $267.6 million and includes 17 positions (14.34 FTE). The total funds budget is $6.8 million, or 2.6%, more than the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $56.1 million General Fund to procure trial-level criminal defense for eligible defendants through contracts with independent contractors, including nonprofit public defender offices, consortia of attorneys or law firms, private law firms, or individual attorneys. The June 2022 Emergency Board approved this action as an ongoing adjustment to the 2023-25 budget.
- $17.8 million General Fund to fully fund the 466.35 Maximum Attorney Capacity (MAC) needed to support PDSC's forecasted 2023-25 caseload. The funding adds an additional 36.98 MAC for county provider contracts and 2.56 MAC for statewide appeals contracts.
- $7.4 million General Fund General Fund on a one-time incentive compensation for the retention of both recently hired contract providers as well as experienced contract providers.
- $4.6 million General Fund and 17 positions (14.34 FTE) for state employee regional pilot programs in Western and Southern Oregon and including a Chief Deputy Defender program administrator.
- $399,975 General Fund for Family Treatment Court provider contracts in Clackamas and Josephine counties.
- $386,316 General Fund for an expedited case resolution docket in the 4th Judicial District - Multnomah County Circuit Court.

Juvenile Trial Division

	2019-21 Actuals*	2021-23 Legislatively Approved*	2023-25 Current Service Level*	2023-25 Legislatively Adopted
General Fund	--	--	--	**50,356,700**
Other Fund	--	--	--	4,352,000
Total Funds	**--**	**--**	**--**	**$54,708,700**

*Prior budget cycle information unavailable, as this was a newly established division in 2023-25.

Program Description
The Juvenile Trial Division (JTD), formerly part of the Adult Trial Division, provides trial-level representation for financially eligible parents, children, and youth in juvenile dependency, termination-of-parental-rights, juvenile delinquency, and contested adoption cases. The Division also provides guardians ad litem for parents whose rights the juvenile court determines need protection because they have a mental or physical disability preventing them from understanding or assisting counsel in a dependency or termination-of-parental-rights case.

The 2021 Legislature directed PDSC to begin procuring trial-level representation for parents in juvenile dependency cases and termination of parental rights cases as contracts separate and distinct from adult criminal defense contracts. After this was accomplished, the 2023 Legislature then moved the non- Parent Child Representation Program (PCRP) juvenile trial level contracts into a unique budgetary structure with the addition of a Juvenile Criminal Division and the re-naming of the former Juvenile Division to the PCRP. The new independent Division will be overseen by the Chief Juvenile Defender and allow for juvenile defense activities to be tracked discretely from Adult Trial Division and the PCRP.

Revenue Sources and Relationships
The JTD is supported by General Fund and Other Funds. Federal as Other Funds come from Title IV-E funds transferred from ODHS for reimbursement of eligible state expenses.

Budget Environment
The JTD contracts for services with providers in 26 counties and operates the Parent Child Representation Program (see discussion below). The provider contract history and concerns for the JTD are the same as those discussed under the Adult Trial Division.

The JTD utilizes the same service delivery model as the Adult Trial Division except for the state employee pilot program. JTD caseload standards are murder (6), delinquencies (132), probation violation (825), and dependency (69). The JTD uses a closed caseload model, and no viable caseload forecast has been produced for the division.

For the 2023-25 legislatively adopted budget, provider contracts total $50 million General Fund and fund 101.67 Maximum Attorney Capacity (MAC) at an average annual qualifications-based rate of $241,218. The amount excludes incentive bonuses. In addition, the JTD contracts with providers for supervision, training, and investigation (2.62 MAC).

For statewide JTD contracts, caseload standards are Murder (6) and Juvenile Appeals (32). For the 2023-25 biennium, this included an additional 1.66 MAC for county provider contracts to being total MAC to 100.37. For the 2023-25 legislatively adopted budget, statewide contracts total $1.7 million General Fund and fund 3.40 Maximum Attorney Capacity at an annual rate of $246,378. The amount excludes incentive bonuses.

When the JTD and PCRP Division resources are combined, $115.4 million is budgeted for juvenile defense and out of this amount, the JTD accounts for 26 or 72% of Oregon's 36 counties, 100.67 or 54% out of 185.67 MAC, and $54.7 or 47% of the total $115.4 budget.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the JTD totals $54.7 million and was formally budgeted under the Adult Trial Division until being broken out as a separate budgetary unit. The adopted budget includes the following major budgetary investments or changes:

- $34.6 million General Fund for the establishment of the Juvenile Trial Division by the transfer of funding from the Trial Division and Parent Child Representation Program.
- $13.8 million General Fund to procure trial-level juvenile defense for eligible defendants through contracts with independent contractors, including nonprofit public defender offices, consortia of attorneys or law firms, private law firms, or individual attorneys. The June 2022 Emergency Board approved this action as an ongoing adjustment.
- $4.4 million Federal as Other Funds (Title IV-E Federal Funds) for the reimburses the state for expenses incurred related to juvenile defense activities.
- $1.2 million General Fund for one-time incentive compensation for the retention of both recently hired contract providers as well as experienced contract providers.
- $747,000 General Fund for a caseload adjustment to the Juvenile Trial Division to fully fund the 100.37 MAC needed to support PDSC's forecasted 2023-25 caseload. The funding adds an additional 1.66 MAC for county provider contracts.

Pre-Authorized Expenses (formerly Non-Routine Expenses)

	2019-21 Actuals*	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$46,860,805	52,049,933	54,837,645
Other Funds	--	--	--	1
Total Funds	**--**	**$46,860,805**	**$52,049,933**	**$54,837,646**

*Prior budget cycle information unavailable, as this was a newly established division in 2021-23.

Program Description

The Preauthorized Expenses (formerly Non-Routine Expenses and also known as "Case Support Services") funds "reasonable and necessary" non-attorney public defense-related trial and appellate representation case costs for financially eligible defendants, including transcriptionists, investigators, interpreters, mitigators, social workers, psychologists, polygraph examiners, and forensic experts, such as firearm experts, arson experts, deoxyribonucleic acid (DNA) experts, and medical experts that fall outside regular, routine case-mandated expenses.

The Division and its budget are organized into the following sections (1) Administration; (2) Appellate; (3) Trial Level; and (4) Juvenile. The Division is overseen by the Executive Director, as the division has no legislatively authorized staffing. The Division was previously budgeted as part of the former Professional Services Account.

Revenue Sources and Relationships

The Preauthorized Expenses Division is supported by General Fund and Other Funds. A placeholder amount is provided for the potential receipt of Federal as Other Funds from Title IV-E funds transferred from ODHS for reimbursement of eligible state expenses.

Budget Environment

The Preauthorized Expenses is used to track and fund non-routine case-related expenses that require agency pre-authorization before being paid. Preauthorized expenses are defined in the agency's payment policy as expenses that are not "routine," but is better defined as necessary expenditures apart from the fixed cost of public defenders. PDSC has approximately ten contracts with non-attorney providers, including one with a private forensic laboratory. Some public defender contracts, however, do include a provision for investigators.

The amount of Preauthorized Expenses is driven by attorney caseload and workload and case-type. The difference between court-mandated expenses (discussed below) and non-routine expenses is that preauthorized expenses must be approved by the agency in writing before any service can be performed on behalf of a public defense client. The pre-approval of an expense is managed by a Preauthorized Expense Team in the Administrative Services Division. If the request is approved in part or denied, a written explanation is provided. The attorney can then appeal the agency's decision to the presiding judge of the circuit court in which the preauthorized expenses arose.

A preauthorized expenses authorization is valid for an extended period of time, which can push payment well into the future. In theory, once preauthorized expense is authorized, the authorization is valid for two years from the date of approval. PDSC is required to budget and account for expenditures in the biennium for which the expense is incurred. In practice, however, a pre-authorized expense may remain unsubmitted for reimbursement to PDSC for years. According to PDSC, "Until such time the commission adopts the pending policy to expire preauthorized case support services, some of which have aged for up to two years, the liability may continue to grow commensurate to the number of persons charged with crimes. The payment policy pending adoption by the commission expires preauthorized services 180 days after the agency approves them. The [current] liability is about $96.5 million [General Fund...]" In 2022, PDSC had reported to the Emergency Board an outstanding and unbudgeted liability for obligated preauthorized expenses of between $52.7 and $58 million General Fund. How much of this obligation will actually be incurred is unclear at this time. In addition, SB 337 (2023) directed that invoices submitted to PDSC are to be paid within 45 days of receipt or in accordance with statewide accounting policies established by the Department of Administrative Services.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Preauthorized Expenses totals $54.8 million General Fund and a $1 Other Funds placeholder. The total funds budget is $8 million, or 17%, more than the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $7.5 million General Fund to pay for reasonable and necessary non-attorney expenses.
- $6.5 million General Fund reduction to transfer Preauthorized Expenses into the Special Programs, Contracts, and Distributions Division for the reimbursement of discovery costs paid by the Commission to counties.
- $720,000 General Fund on a one-time basis, for the Commission's response to the *Watkins v. Ackley* court decision (December 30, 2022).
- $665,025 General Fund for the unrepresented defendant/persons crisis.
- $480,000 General Fund, on a one-time basis, for the unrepresented defendant/persons crisis and whose funding is from a disappropriation of General Fund in the 2021-23 biennium.
- $1 Other Funds expenditure limitation as a placeholder in anticipation of eligible expenses being paid from Title IV-E Federal Funds transferred from DHS for reimbursement of eligible state expenses.

Court Mandated Expenses

	2019-21 Actuals*	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$55,123,445	18,335,583	67,113,611
Other Funds	--	$4,449,667	3,937,116	4,449,667
Total Funds	**--**	**$59,573,112**	**$22,272,699**	**$71,563,278**

*Prior budget cycle information unavailable, as this was a newly established division in 2021-23.

Program Description

The Court Mandated Expenses (CME) funds trial and appellate routine expenses for certain routine court-mandated case-related expenses for financially eligible defendants that do not require pre-authorization for billing . The Division and its budget are organized into the following sections: (1) Administration; (2) Appellate; (3) Trial Level; (4) Juvenile; and (5) the Application Contribution Program (ACP). CME is overseen by the Executive Director, as the division has no legislatively authorized staffing. CME was previously budgeted as part of the former Professional Services Account.

The primary type of expense is for private hourly rate attorney services not billed under a provider contract. Such services are necessary to avoid conflicts of interest in multi-defendant cases, to fill the gap needed by contractors being at capacity, or to fill gaps when contract attorneys lack the requisite qualifications needed to handle a case. In those instances, PDSC typically retains pre-qualified counsel on an hourly basis (private hourly rate).

The secondary types of court-mandated expenses include discovery, interpreter services, medical, school, Oregon Department of Transportation - Department of Motor Vehicles, and other similar records (up to $300), 911 recordings and Emergency Communication Recording Logs, telephone charges, photocopying and scanning, facsimile charges, routine mileage and parking, postage, service of process, and the payment of lay witness and mileage.

Revenue Sources and Relationships

CME is supported by General Fund and Other Funds. The source of Other Funds revenue is from the Application Contribution Program (ACP), which for the 2021-23 biennium is estimated to total $4.5 million. Of that amount, $3.6 million is to be transferred to the OJD to fund the verification specialist positions. The remainder of $858,362 will be used to fund the Commission's Court-Mandated Expenses.

Budget Environment

The Commission sets guideline rates administratively, based upon available resources, to pay for CME. The CME workload is primarily driven by external drivers and is outside the control of the agency, including the volume of cases charged. Other factors that can affect the volume of such expenditures include changes in the agency’s contracting practices or changes in law. Non-contract hourly paid attorneys are used to augment trial and appellate level caseloads for specific categories of cases or on a case-by-case basis. PDSC’s new trial-level contracting Maximum Attorney Caseload model (MAC), which imposes caseload limitations, may drive the need for a greater use of non-contract attorney providers.

PDSC’s ability to acquire quality representation services for eligible persons at established guidelines rates, and the ability of their contractors to retain qualified attorneys, continues to be hampered by inequities between its rates and those of district attorneys, private law firms, neighboring states, and the federal government’s public defense system. This inequity also exists in regard to the comparatively low hourly rates paid for investigators and expert witnesses. Legislative efforts have been undertaken to increase standard hourly rates of pay, including providing funding to increase hourly rates of pay for attorneys, investigators, and interpreters.

For the unrepresented defendant/persons crisis, efforts have been undertaken to enhance hourly rates of pay to increase non-provider capacity for the 2021-23 and the 2023-25 biennia. This program is referred to as the Temporary Hourly Increase Program (THIP) (aka “Enhanced Hourly Rate Program”), which was begun administratively by PDSC during the 2021-23 biennium with a June 30, 2023, sunset, and is only for unrepresented defendants in custody. The 2023 Legislature then extended the program from July 1 to September 30, 2023, or until such time as state employees under the Adult Trial Division pilot program could assume this work (aka “Bridge Funding”). Due to delays in setting up the pilot program, the Commission then voted to extend the program from October 1 to November 30, 2023. More recently, the Commission voted to again extend the program from October 31, 2023, to June 30, 2024. PDSC’s 2023-25 legislatively adopted budget does not have the General Fund resources to fund the latter two extensions and therefore PDSC will require supplemental funding to be authorized by the legislature for this program to continue or else PDSC will have to absorb the cost within existing resources, which would prove difficult.

The THIP also provides for an enhanced hourly rate for non-contract/provider investigators. The temporary enhanced hourly rate of $75 applies only for those cases in which the attorney is representing an individual who had been in-custody and unrepresented. This enhanced rate is above both the standard hourly rate as well as the hourly investigators funded as part of provider contacts.

The THIP program raises the following concerns: (a) higher hourly attorney pay disincentives provider contracting; and (b) may create an adverse financial incentive that places the financial self-interest of attorneys above the due process rights of their clients (e.g., like the former case credit/flat or fixed fee model used to pay providers). Demand for THIP should dimmish over the course of the biennium as the state employee pilot program assumes greater responsibility for unrepresented defendant/persons cases.

PDSC, in response to the unrepresented defendant/persons crisis, also initiated a two-phase Supervised Civil Attorney Program. The first phase of the program is designed to connect civil bar attorneys with public defense attorneys to aid in their cases. A participating civil bar attorney is supervised by qualified public defense provider. The civil lawyer will primarily provide legal research and motion writing support and may be asked to argue legal issues in court. Civil bar attorneys participating in the program are compensated at a rate of $105/hour. The second phase of the program is designed to provide supervision and training to civil bar attorneys who are willing to accept misdemeanor court-appointed cases. A Supervising Attorney is compensated at the rate of $200 per hour.

The Watkins v. Ackley applies the U.S. Supreme Court ruling in Ramos v. Louisiana retroactively to nonunanimous jury convictions, which allows for post-conviction relief of cases challenging their nonunanimous jury conviction. Persons with felony convictions resulting from a nonunanimous jury have up to two years from the date of the Watkins v. Ackley court decision to challenge their conviction. At present, PDSC estimated that there are 225 to 250 existing post-conviction relief cases, with approximately 83 possibly returning for a new trial in the next 60 days. The total number of post-conviction cases, and their timing, is unknown currently. The total could be up to 2,000 cases. The 2023-25 Current Service Level budget for the Commission included $2.1 million General Fund for the U.S. Supreme Court ruled, in Ramos v. Louisiana, for those persons currently in custody, which the 2023 Legislature then supplemented with an additional $2.3 million General Fund. Ramos/Watkins cases are currently being combined and reported as unrepresented defendant/persons.

The ACP was created with the intent to avoid some taxpayer costs related to providing court appointed counsel at public expense. This was accomplished through an assessment of advance payment from people who could afford to make a monetary contribution toward the cost of representation and to pay for the administrative costs of determining their eligibility. The court may order all applicants to pay an application fee. Pursuant to ORS 151.487, an application fee shall be ordered even if the applicant is ultimately determined to be ineligible for appointed counsel, the case is dismissed, or the case type is changed to one where there is no authority to appoint counsel. The application fee amount established by the Commission is currently $20. This fee is collected by the courts and distributed to PDSC for deposit into the Public Defense Services Account.

The Commission enters into an intergovernmental agreement with Oregon Judicial Department (OJD) for the use of these fees for public defense verification staffing. OJD verification specialists assist the courts in determining whether a person must pay these costs. Due to the pandemic, as well as actions taken by the Chief Justice of the Oregon Supreme Court as well as circuit court judges, there is an ACP revenue shortfall; however, ongoing review of ACP revenues is necessary to determinate if a revenue shortfall issue still exists or if the ACP revenue stream is in recovery. In addition, some judges have misunderstood the distinction between the ACP contribution amount and attorney fees and have only ordered attorney fees at the conclusion of the case. This is having has an adverse effect on the financial viability of the ACP given the statutory difference in how the funds are distributed and utilized.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the CME totals $71.6 million General Fund. The budget is $12 million, or 20.1%, more than the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $26.7 million General Fund for Court Mandated Expenses. The June 2022 Emergency Board approved this action as an ongoing adjustment to the 2023-25 budget.
- $14.7 million General Fund on a one-time basis for increases in hourly rates of pay for attorneys, investigators, and interpreters.
- $2.7 million General Fund on a one-time basis, for the unrepresented defendant/persons crisis. Funding for this request is from a disappropriation of General Fund from the 2021-23 biennium.
- $2.3 million General Fund nonunanimous jury convictions on a one-time basis, for the Commission's response to the Watkins v. Ackley court decision on nonunanimous jury convictions.
- $1.5 million General Fund on a one-time basis for the unrepresented defendant/persons crisis and to continue enhanced hourly pay for attorneys.
- $902,665 General Fund increases for the cost of court transcripts (HB 2225, 2023).
- $512,551 Other Funds to reconcile expenditure limitation for the Application Contribution Program.

Parent Child Representation Program (formerly Juvenile Division)

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$42,340,293	68,682,556	48,710,092
Other Funds	--	$10,000,000	14,000,000	11,968,000
Total Funds	**--**	**$52,340,293**	**$82,682,556**	**$60,678,092**
Positions	--	1	1	1
FTE	--	0.50	1.00	1.00

*Prior budget cycle information unavailable, as this was a newly established division in 2021-23.

Program Description

The Parent Child Representation Program (PCRP) was established to provide trial-level representation to financially eligible parents and children in cases of juvenile delinquency, juvenile dependency, and those involving the termination of parental rights. The Division and its budget are organized into the following sections: (1) Administration; (2) PCRP Expenses; and (3) Title IV-E Federal as Other Funds. The Juvenile Division was previously budgeted as part of the former Contract and Business Services Division. The Division was formally entitled the Juvenile Division but renamed the PCRP.

The Division is overseen by the Chief Juvenile Defender, who, along with other Deputy Defender staff, will need to be transferred into the Division from their temporary budget assignment in the CAP program. The Division's one authorized position serves as PDSC's representative on the statewide family treatment court governance committee.

Revenue Sources and Relationships

PCRP is supported by General Fund and Other Funds. Federal as Other Funds come from Title IV-E funds transferred from ODHS for reimbursement of eligible state expenses.

Budget Environment

The PCRP handles juvenile delinquency, dependency, and termination of parental rights cases through two models of trial-level provider contracts for 26 counties and PCRP provider contracts in ten counties. The 10 counties participating in the PCRP include Linn and Yamhill (2014); Columbia (2016); Coos and Lincoln (2018); Multnomah, Benton, Clatsop, Douglas, and Polk (2020). PDSC's decision to expand the PCRP program into Benton, Clatsop, Douglas, and Polk counties was undertaken without legislative authorization or legislatively authorized budget authority. This administrative decision was later approved and funded retroactively by the 2021 Legislature.

PCRP utilizes a different service delivery model as the Adult or Juvenile Trial Divisions by paying higher rates to providers, capping caseloads, and providing wrap-around services and coordination with the other agencies for increased support to clients.

The PCRP has a single caseload standard for Juvenile Delinquency, Dependency, and Termination of Parental Rights cases (80). PCRP uses an open caseload model, but no viable caseload forecast has been produced for the division. For the 2023-25 legislatively adopted budget, provider contracts total $48.4 million General Fund and fund 85.00 Maximum Attorney Capacity (MAC) at a single rate of $284,808. The amount excludes incentive bonuses. Beginning with the 2023-25 biennium, PCRP moved away from an urban/rural attorney rate structure to a single contract rate. Of note is that the PCRP attorney is, and always has been, compensated at a higher rate than standard juvenile contracts even though the program operates with a comparatively reduced caseload standard.

In addition, PCRP contacts with providers for case managers for a total of 6.80 FTE and at a biennial cost of $1.2 million. Apart from provider contracting, PCRP pays an hourly rate for Senior Case Manger Administrators (2.00

FTE), Case Manager Administrators (26.90 FTE), and Case Managers (1.42 FTE), which total an estimated $8 million.

Legal representation of parents and children is closely intertwined with the functioning of the child welfare system. Legal representation is reportedly associated with fewer unnecessary removals of children from their families as well as greater participation in court hearings, more frequent family visitation, minimization of time in foster care, sooner permanency, and more successful reunifications.

PCRP is an interdisciplinary legal representation approach to improve outcomes for parents and children impacted by the justice system. Each parent and each child generally are represented by separate counsel. The PCRP, modeled on the Washington State Parent Representation Program, relies on contracts with consortia, nonprofits, and law firms. PCRP differs substantively from the trial-level provider contract model in the following ways: (1) juvenile defender attorney caseload is limited by PDSC to 80 open cases to allow attorneys to allocate enough time to client communication, court preparation and out of court advocacy in a manner consistent with national standards; (2) social work case managers for about 10% to 15% of cases, which translates to an open caseload of 28 clients or approximately one social work case manager for every three PCRP provider attorneys; (3) one social work case administrator is required for every 20 social case managers; (4) contract administrators to oversee contracts and report on contracts requirements; and (5) requirement of heightened accountability, including tracking and reporting of attorney time and case activities.

In addition, the PCRP program has program-related overhead costs, which include PDSC staff to perform the following tasks: (1) county-specific implementation; (2) quality assurance and evaluation of outcomes; (3) attorney education, training, and technical assistance; (4) observation and evaluations; and (5) assistance with contract negotiations, among other duties.

When the Juvenile Trial Division and PCRP Division resources are combined, $115.4 million is budgeted for juvenile defense and out of this amount, the PCRP accounts for 10 or 28% of Oregon's 36 counties, 85.00 or 46% of 185.67 MAC, and $60.7 or 53% of the total $115.4 budget. The Juvenile Trial Division accounts for the balance.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget for the PCRP totals $60.7 million, and includes $48.7 million General Fund and $12 million Other Funds, and includes one positions (1.00 FTE). The total funds budget is $8.3 million, or 15.9%, higher than the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $35 million General Fund and $2 million Other Funds reductions to establish the Juvenile Trial Division.
- $11.1 million General Fund to procure trial-level juvenile defense for eligible defendants through contracts for the PCRP. The June 2022 Emergency Board approved this action as an ongoing adjustment to the 2023-25 budget.
- $2.7 million General Fund for a projected growth in caseloads.
- $1.2 million General Fund on a one-time incentive compensation for the retention of both recently hired contract providers as well as experienced contract providers.

Special Programs, Contracts, and Distributions

	2019-21 Actuals*	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	230,436	293,198	8,882,472
Other Funds	--	--	--	1,000,000
Total Funds	**--**	**$230,436**	**$293,198**	**$9,882,472**
Positions	--	1	--	--
FTE	--	0.50	--	--

*Prior budget cycle information unavailable, as this was a newly established division in 2021-23.

Program Description

The Special Programs, Contracts, and Distributions (SPCD) was established to provide a budget structure for programs and activities not directly related to other standard agency activities, such as pass-through payments or contracts outside PDSC's core mission of providing public defense services.

Revenue Sources and Relationships

SPCD is supported by General Fund and Other Funds. Federal as Other Funds are from a one-time $1 million subgrant from the Edward R. Byrne Memorial Justice Assistance Grant from the Criminal Justice Commission.

Budget Environment

The SPCD is currently comprised of the following: (a) county indigent discovery cost reimbursements; (b) Guardianship Program; (c) SB 337 unpresented defendant crisis training costs; (d) SB 337 market survey; (e) Department of Administrative Service - Office of Economic Analysis forecasting contract; and (f) one-time grant funding.

ORS 135.815 states that, with certain exceptions, the district attorney shall disclose to a represented defendant materials and information within the possession or control of the district attorney, as defined by the statute. District attorney offices have historically charged defendants, either state or local indigents as well as non-indigents, a fee associated with the reimbursement of costs associated with providing discovery information. County governments adopt fee schedules for the reimbursement of the cost of providing discovery under local ordinance(s). Historically, and over the course of multiple biennia, the Legislature, as part of an appropriation to the PDSC, has chosen to reimburse district attorney offices for the cost of discovery fees. Spot audits are conducted of county reimbursement requests before payments are made, according to PDSC.

In the spring of 2023, PDSC was alerted by Marion County of a discovery billing errors in which the county was overbilled by $583,281 General Fund. In the fall of 2023, PDSC received a reimbursement of this overpayment from the county.

Historically, statute gave circuit courts the authority to appoint counsel for proposed protected persons but did not require counsel. Some cases were handled by court-appointed pro bono (without charge) attorneys while others were handled by nonprofit entities that provide volunteers to monitor protected persons under guardianships in certain counties. The remainder of appointments were attorneys paid by the estate of the protected person.

In 2021, the Legislature enacted SB 578 which allows for the payment of court-appointed counsel at state expense for qualified individuals when the estate of the protected person is insufficient to pay the expense of a private counsel. Probate judges would no longer appoint pro bono attorneys. The law establishes a pilot program in three counties to provide counsel for persons in protective proceedings. Multnomah and Lane counties were to begin providing legal services on or after January 2, 2022, followed by Columbia County, which was to begin on or after January 2, 2023. The state's remaining 33 counties are to begin on or after January 2, 2024.

The Commission has yet to adopt any policies or procedures related this program, including those needed to determine the financial eligibly requirements for participation. Initially, PDSC planned to pay private attorneys a standard $75 per hour on a case-by-case basis. PDSC will rely upon a list of qualified private attorneys currently maintained by individual probate judges. PDSC then decided that, rather than administering the program in-house, the agency instead would out-source the program to a non-profit entity. The appropriation provides for three provider attorneys ($1.2 million), one provider investigator ($156,817), and an administrative charge of five percent ($74,639). The provider would be ineligible to bill the Commission for additional costs beyond the contracted amount (e.g., filing fees, expert witnesses, travel reimbursement).

The duties of the Commission reconstituted under SB 337 (2023) include, but are not limited to:

- A contract with an outside entity to conduct an independent survey and economic analysis on the minimum hourly pay for appointed counsel Market Study and then adjusting the rate of hourly pay of panel counsel by the percentage amount of any positive cost of living adjustment granted to employees in the management service in other executive branch agencies.
- Department of Administrative Service - Office of Economic Analysis caseload forecasting.
- Creation of a training program for independent contractors, including nonprofit public defender offices, consortia of attorneys or law firms, private law firms, or individual attorneys as well as hourly paid attorneys and investigators.

At the end of the 2023 session, PDSC notified the legislature of a potential Federal as Other Funds grant opportunity from the Criminal Justice Commission under the Edward R. Byrne Memorial Justice Assistance Grant. This grant was subsequently awarded in the amount of $995,000 Federal as Other Funds. The Executive Director, rather than the Commission, determined how the funds were to be expended:

- $448,000 Other Funds to provide stipends for approximately 60 law students working at public defense provider offices across the state.
- $275,000 Other Funds for the Southern Methodist University/Deason Criminal Justice Reform Center and two data need surveys of public defense providers and a weeklong in-house training for PDSC staff.
- $132,000 Other Funds for Gideon's Promise and a one-week immersion training for attorneys newer to public defense.
- $90,000 Other Funds for Moss Adams to develop a five-year plan to reduce representation deficiency.
- $50,000 to purchase 40 laptops and associated equipment (monitors, keyboards, mice, etc.) for new staff.

<u>Legislatively Adopted Budget</u>

The 2023-25 legislatively adopted budget for the SPCD totals $9.9 million and includes $8.8 million General Fund and $1 million Other Funds. The total funds budget is $9.7 million more than the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $6.2 million General Fund transfer of county discovery costs from Preauthorized Expenses. The transfer of county discovery costs is intended to increase the budgetary transparency of the funding paid by the Commission to the counties as a reimbursement of expenses accrued.
- $1.5 million General Fund for payment of civil court-appointed counsel at state expense for qualified individuals when the estate of the protected person is insufficient to pay the expense of a private counsel.
- $1 million Other Funds on a one-time basis for the receipt from the Criminal Justice Commission of a subgrant from the Edward R. Byrne Memorial Justice Assistance Grant.
- $545,000 General Fund on a one-time basis for the creation of a training program for independent contractors, including nonprofit public defender offices, consortia of attorneys or law firms, private law firms, or individual attorneys as well as hourly paid attorneys and investigators. The funding includes

$150,000 for the acquisition or development of the training program, $375,000 for the delivery, and $20,000 for program expenses.

- $250,000 General Fund on a one-time basis for an outside entity to conduct an independent survey and economic analysis on the minimum hourly pay for appointed counsel.
- $35,508 General Fund on a one-time basis for a contract funds for the Department of Administrative Services - Office of Economic Analysis to provide caseload forecasting services.

Administrative Services Division

	2019-21 Actuals*	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$13,662,041	**14,171,572**	**24,568,388**
Total Funds	**--**	**$13,662,041**	**$14,171,572**	**$24,568,388**
Positions	--	**32**	**28**	**41**
FTE	--	**30.03**	**28.00**	**39.00**

*Prior budget cycle information unavailable, as this was a newly established division in 2021-23.

Program Description

The Administrative Services Division (ASD) was established to provide agency-wide administrative support services. The newly established division is organized into the following sections based on service delivery: (1) Administration; (2) Budget; (3) Accounting/Accounts Payable; (4) Human Resources; (5) Procurement; (6) Facilities; and (7) Information Services, including the acquisition of a new information technology application(s).

Revenue Sources and Relationships

ASD is supported by General Fund.

Budget Environment

ASD staff negotiate and administer contracts for the provision of legal services. They pre-authorize and process payments for non-routine expenses, and review, approve, and process requests for non-contract fees and expenses. The Division also prepares the agency's budget, performs the accounting function of the agency, payroll, and human resource functions.

PDSC reports having 170 contractual agreements with 110 public defense providers. The timely processing of vendor payments has been an issue for the agency, but recently the agency has reported making payments within the state's standard 45-day payment period; however, PDSC has faced criticism for making payments without the requisite review of the appropriateness of invoiced expenses.

ASD's budget includes funding for one-time contracts for such things as management consultancy, media/communications, labor relations services, executive recruitment, legal services, and an information technology study.

The Financial and Case Management System (FCMS) is seen as vital to providing PDSC with a comprehensive information technology application to provide oversight and financial accountability over the state's public defense system. Such an application would help to address many of the deficiencies identified in the Sixth Amendment Center study, as well as address the operational and financial management concerns of the Legislature. FCMS, however, has been challenged by delay and the current scope, schedule, and budget of the project are indeterminate. The project was recently placed on "pause" by the agency. A budget note directed PDSC to report to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means prior to the 2024 legislative session on the status of the Financial/Case Management System information technology project.

The duties of the Commission reconstituted under SB 337 (2023) include, but are not limited to:

- The transfer of the Commission from the judicial branch to the executive branch of government on January 1, 2025 will remove the statutory exemptions enjoyed by the former Commission and will subject PDSC to the statutory requirements of executive branch agencies under the control of the Governor.
- Directs that invoices submitted to PDSC are to be paid within 45 days of receipt or in accordance with statewide accounting policies established by the Department of Administrative Services.
- General direction to procure a financial and case management system.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $10.9 million General Fund and includes 41 positions (39.00 FTE). The total funds budget is $10.9 million, or 79.8%, more than the 2021-23 legislatively approved budget. The adopted budget includes the following major budgetary investments or changes:

- $7.9 million General Fund and five positions (5.00 FTE) for continued funding of a financial and case management system.
- $943,320 General Fund and three permanent full-time positions (3.00 FTE) for two Human Resources Analyst 2 positions (2.00 FTE) to support the Commission's human resources function, and one Program Analyst 4 position (1.00 FTE) to provide additional support for procuring and administering provider contracts.
- $929,270 General Fund on a one-time basis, for Information Technology Professional Services. This package funds the continuation of an existing technology services contract with OJD to provide servers, network, infrastructure, and related technology services to the Commission.
- $487,317 General Fund and four permanent full-time positions (2.00 FTE) for financial management and the transfer of the agency to the executive branch. One Accountant 4 (0.50 FTE), one Accountant 1 (0.50 FTE), one Accounting Technician 3 (0.50 FTE), and one Program Analyst 2 (0.50 FTE).
- $235,394 General Fund and one permanent full-time Program Analyst 1 position (1.00 FTE) to review Preauthorized Expenses, formerly Nonroutine Expenses.

ECONOMIC DEVELOPMENT

PROGRAM AREA

OREGON BUSINESS DEVELOPMENT DEPARTMENT

Analyst: Deister

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	164,411,129	472,525,394	95,074,882	162,020,442
Lottery Funds	105,696,251	148,827,137	131,921,194	170,662,496
Other Funds	348,791,244	1,486,291,040	315,631,721	1,182,169,925
Other Funds (NL)	174,738,706	329,109,699	349,396,861	379,396,861
Federal Funds	39,928,523	122,500,606	51,011,386	97,901,528
Total Funds	**$833,565,853**	**$2,559,253,876**	**$943,036,044**	**$1,992,151,252**
Positions	144	184	145	188
FTE	138.69	167.12	144.50	179.45

Overview

The mission of the Oregon Business Development Department (OBDD) is to invest in Oregon businesses, communities, and people to promote a globally competitive, diverse, and inclusive economy. OBDD executes key programs to support the state's economic development strategies, provides economic and community development support through infrastructure finance and capital access programs, and promotes arts and cultural enhancement. The Department is overseen by a nine-member commission, with seven members appointed by the Governor and confirmed by the Senate and two nonvoting legislative appointees.

The Department has six budgeted program areas:

- *Operations* – Includes the Director's Office and central agency administrative services that support both the business development (Business, Innovation, Trade) and the community development (Infrastructure) programs. The Operations Division includes 31.4% of the agency's employees and is financed primarily with Lottery Funds.
- *Business, Innovation, Trade* – Operates programs in four major focus areas: regional development, business finance, innovation and entrepreneurship, and global strategies and recruitment. This program area is the agency's largest in terms of staffing, with 38.8% of the agency's employees, and is primarily financed with Lottery Funds.
- *Infrastructure* – Includes the staff and funding sources used by the Department to provide grants and loans to assist communities with infrastructure development projects, including projects developed within the Regional Solutions Program. Infrastructure houses the Seismic Rehabilitation Grants, Brownfields, Industrial Lands, and Broadband programs. The program area includes 24.5% of the agency's employees. Special payments (loans and grants) to local governments, federally recognized tribes, and other entities represent most of the budgeted expenditures in this program area. Expenditures also support costs to administer the community development programs and debt service on revenue bonds issued to finance community infrastructure loans.
- *Oregon Arts Commission and Oregon Cultural Trust* – The Arts Commission evaluates the impact of arts on Oregon's economy; distributes National Endowment for the Arts funding; provides services to arts organizations, individual artists, and communities; and manages Oregon's Percent for Art Program. The program also operates the Oregon Cultural Trust, which supports the arts and culture of the state. This program area houses 5.3% of the agency's employees and all operating expenses relating to the Arts Commission and Cultural Trust.

- *Film and Video Office* – Semi-independent agency that receives pass-through Lottery Funds to promote and support the film, video, and multimedia industries in Oregon. The Office is not part of the Department, and its employees are not included in the agency employment count.
- *Lottery and General Obligation Bond Debt Service* – Used exclusively for debt service payments on outstanding lottery revenue bonds, Article XI-Q general obligation bonds, and Article XI-M and XI-N general obligation bonds. Debt service is funded almost entirely with Lottery Funds and General Fund. Other Funds generated from bond interest earnings and excess proceeds are sometimes applied to pay debt service.

Revenue Sources and Relationships

General Fund, Lottery Funds, Federal Funds, and Other Funds support OBDD's business retention, expansion, and recruitment activities; export promotion and international trade programs; innovation and entrepreneurship development; community development, infrastructure finance; and arts and cultural programs. General Fund and Lottery Funds together comprise 16.7% of OBDD's budget, of which 45.5% is used to pay debt service on general obligation and lottery revenue bonds that have been issued to support loans and grants for economic and community development, and seismic rehabilitation projects. Outside of debt service, General Fund supports functions in all agency program areas except for Operations and the Film and Video Office. General Fund also often supports one-time priorities that change each biennium. The Arts Commission is the only part of the budget that regularly receives General Fund to support its operations. Lottery Funds comprise a meaningful part of most of the agency's division budgets, but nearly half of the agency-wide Lottery Funds budget supports Business, Innovation, and Trade. Major lottery funded programs include the Oregon Innovation Council, Strategic Reserve Fund, and Oregon Manufacturing and Innovation Center. Lottery Funds also supports most of the budget for the Operations Division.

Over 78% of the Department's budget is comprised of Other Funds, including a portion budgeted as nonlimited. Most of the agency's Other Funds is from proceeds from the issuance of lottery revenue bonds, general obligation bonds, and Oregon Bond Bank revenue bonds used to finance community infrastructure grants and loans. In Business, Innovation, and Trade, Other Funds generated from loan principal and interest repayments, investment earnings, and loan and service fees support business finance direct loan and loan guarantee programs. The Certification Office for Business Inclusion and Diversity is funded with Other Funds from state agency assessments and revenue from the Department of Transportation. The Infrastructure program area is primarily funded with Other Funds generated from revolving loan funds, including loan principal and interest repayments and investment earnings. Other Funds also supports the Arts Commission budget, including donations to the Cultural Trust.

Federal Funds represent the smallest portion (4.9%) of OBDD's budget. The Department expends revenue budgeted as Federal Funds for several economic and community development programs, including Brownfield programs, the Community Development Block Grant, State Small Business Credit Initiative grant, State Trade and Export grant, Broadband Equity Access and Deployment, and Digital Equity program. In addition, the Arts Commission expends federal grant revenue from the National Endowment for the Arts.

Budget Environment

The workload of the agency is driven by Oregon's economic and community development needs. This includes supporting Oregon businesses and assisting communities to build and maintain infrastructure, such as clean water and wastewater systems, seismic rehabilitation for schools, and port facilities. OBDD's programs help businesses grow, support job retention and creation, develop and increase the competitiveness of Oregon industries, and align infrastructure investments with economic growth. The agency's budget has expanded significantly over the last several biennia, as the Legislature continues to promote job creation and retention in the face of challenging economic environments.

The agency's economic strategy considers regional economic challenges and focuses on creating rural economic stability and providing economic opportunity for underrepresented populations. Strategic economic development priorities also include innovating the economy by expanding research and development capacity and growing small and medium-sized businesses and middle-wage jobs. The agency has also significantly increased its focus on equity in recent years. The equity strategy is reflected in updated program operations, expanded capital access programs to historically underserved business communities, ongoing support of community and local economic development programs serving diverse populations, and expansion of diversity and inclusion in state contracting.

Some of the challenges from the COVID-19 pandemic are believed to wain through the upcoming biennium. However, several process changes continue to persist, such as the move to a remote work environment for several employees. Persistent macro-economic factors also continue, including low unemployment and inflation that present challenges to business growth and community development projects in the form of higher capital costs and challenges recruiting and retaining staff.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget for the Oregon Business Development Department totals $2 billion, which is a $567.1 million, or 22.2%, decrease from the 2021-23 legislatively approved budget. Although many investments were approved in the 2023-25 budget, the comparison to 2021-23 reflects a decrease due to significant one-time investments approved in 2021-23 in response to the COVID-19 pandemic, including the capitalization of statutory program funds with General Fund. The current service level for the 2023-25 biennium represents a $1.6 billion, or 63.2%, reduction in total expenditure authority from 2021-23. This reduction is due almost entirely from the phase-out of one-time increases approved in the prior biennium.

Modifications and additions to the current service level budget approved during the 2023 session were affected through the adoption of policy measures with budgetary impacts and several budget measures. The information that follows summarizes the major adjustments approved in these measures.

2023 Session Policy Bills with Budgetary Impacts
SB 4 - Oregon CHIPS Act: Early in the 2023 legislative session, SB 4 created the Oregon CHIPS Fund, Industrial Land Loan Fund, and associated programs to support economic development with respect to industrial land development, semiconductors, and advanced manufacturing. General Fund appropriations to OBDD of $190 million for deposit in the CHIPS Fund and $10 million for deposit in the Industrial Land Loan Fund were included in the bill for the 2021-23 biennium. Associated Other Funds expenditure limitation was provided in OBDD's 2023-25 budget for continued expenditures from the funds. The measure also appropriated $10 million General Fund in the 2023-25 biennium deposit into the University Innovation Research Fund.

HB 2058 - Agricultural Overtime Award Fund: HB 2058 directed OBDD to develop a repayable award program to provide financial assistance to eligible employers to mitigate costs associated with agricultural overtime compensation requirements under HB 4002 (2022). In 2021-23, the Emergency Board allocated $10 million General Fund to OBDD for deposit into the Agricultural Overtime Award Fund. HB 2058 appropriated an additional $150,000 General Fund for administration of the financial assistance program and provided $10.15 million Other Funds in the 2021-23 biennium for the program. Other Funds expenditure limitation of $9.5 million was included in OBDD's 2023-25 budget for the expenditure of remaining program funding.

HB 2010 - Water and Drought Investments: This measure appropriated $3.3 million General Fund to OBDD in 2023-25 to establish an Aquifer Recharge Testing Forgivable Loan Program for costs associated with aquifer recharge, storage, and recovery testing. This funding was part of a series of statewide investments addressing water and drought issues.

HB 3410 - Rural Infrastructure: The following three separate investments supported with Lottery Funds were approved in OBDD's budget as part of statewide investments in rural infrastructure: $3 million to support Small Business Development Centers; $3 million for operational funding grants to county fairgrounds; and $500,000 for a program to increase capacity and provide technical assistance to outdoor gear and apparel producers.

HB 3005 – Childcare Infrastructure: The measure established the Child Care Infrastructure Fund to support grants and loans for planning, design, and development of early learning and care facilities. Increased expenditure limitation of $50 million Other Funds was approved in OBDD's budget for the expenditure of net lottery revenue bond proceeds deposited into the Childcare Infrastructure Fund.

Fiscal Highlights of Budget Bills

Bond Funded Program Capitalization: Other Funds expenditure limitation is included in the OBDD budget for programs capitalized by bonds authorized for issuance in the 2023-25 biennium. These include $150 million for the Seismic Grants Program; $50 million for the Childcare Infrastructure Fund (HB 3005); $30 million for the Special Public Works Fund; and $10 million for the Special Public Works Fund, Levee Grant Program.

Lottery Revenue Bond Funded Infrastructure Projects: Other Funds expenditure limitation is included for infrastructure projects supported by lottery revenue bonds authorized in the 2021-23 biennium in the following amounts:

- $5 million - Umatilla Electrical Cooperative Association Industrial Site Utility Expansion
- $4.5 million - City of Phoenix Industrial Improvements, South Valley Employment Center
- $5 million - City of Aumsville Wastewater System Improvements
- $5 million - City of Molalla New Wastewater Treatment Plant
- $3.8 million - City of Newport Wastewater Treatment and Conveyance System Improvements
- $20 million - Port of Coos Bay Channel Modification
- $3 million - Native Arts and Cultures Foundation, Center for Native Arts and Cultures Renovations

Cultural Venues: $5.6 million General Fund was appropriated to OBDD for distribution to 78 cultural venues to provide financial support due to lost revenue resulting from the COVID-19 pandemic.

General Fund Supported Projects Carry Forward: Several General Fund supported projects and programs that were authorized in the 2021-23 biennium were not completed or fully expended. OBDD's 2023-25 budget reestablishes funding based on estimates of the unexpended amounts, including $21.7 million for local infrastructure projects, $13.5 million for Emerging Opportunities Fund grants, and $1 million for Municipal Wildfire Recovery grants.

Lottery Fund Supported Projects Carry Forward: OBDD's 2023-25 budget includes expenditure limitation of $10.1 million for Lottery Funds allocated, but not fully expended, for projects approved in 2021-23 for the Industry Competitiveness Fund, Strategic Reserve Fund, Oregon Innovation Council projects, Oregon Manufacturing Innovation Center, Oregon Metals Initiative, and Port of Port Orford Cannery Improvement Project.

Lottery Fund Supported Infrastructure Grants: An increase of $15.1 million Lottery Funds was approved in OBDD's budget for specified municipal infrastructure projects.

Technical Assistance for Underrepresented Businesses: A Lottery Funds allocation of $5 million continues support for grants to culturally specific organizations to increase their capacity to provide technical assistance to the communities they serve.

Capital Projects Carry Forward: Expenditures for capital projects that were authorized but not fully completed in the prior biennium were reestablished in the agency's 2023-25 budget. These include $9.15 million Other Funds for projects at ten cultural venues, $2.1 million Other Funds for the Tide Gate Grant and Loan Program, $7.5 million Other Funds for Levee Project grants, $4 million Other Funds for county fair improvement grants, and $12.8 million Other Funds for the City of Salem drinking water system.

Water Infrastructure Projects Carried-Forward: $267.6 million Other Funds expenditure limitation that had been phased out in the current service level was reestablished in the 2023-25 adopted budget for the expenditure of American Rescue Plan Act (ARPA) State Fiscal Recovery Funds committed to, but not yet expended for, water and wastewater infrastructure projects.

Federally Funded Projects: The following increases in Federal Funds expenditure limitation were included in OBDD's budget: $26.5 million to support the State Small Business Credit Initiative; $14.7 million for economic development projects in communities near the Opal Creek Wilderness Area; and $3.5 million for development of the Broadband Equity Access and Deployment and Digital Equity federal programs.

Operations

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Lottery Funds	8,348,244	11,300,053	13,215,144	15,248,370
Other Funds	2,345,015	3,859,341	3,658,074	5,122,696
Federal Funds	80,211	255,849	260,865	633,078
Total Funds	**$10,773,470**	**$15,415,243**	**$17,134,083**	**$21,004,144**
Positions	36	50	46	59
FTE	35.88	47.75	46.00	55.26

Program Description

The Operations program area includes the Director's Office, which provides leadership, governmental relations, and communications for the agency, and the Operations Division, which provides Fiscal and Budget, Employee Services, Technology Services, Contract Services, and Facilities administrative functions to the other program areas.

Revenue Sources and Relationships

Operations is primarily financed with Lottery Funds (72.6%). Other Funds revenue of $5.1 million is transferred from the Business, Innovation, and Trade and Infrastructure divisions to cover a portion of the Department's administrative costs. Other Funds transferred from the Business, Innovation, and Trade program area include interest earnings and other revenues generated from business finance loan programs and a lesser amount from the Certification Office for Business Inclusion and Diversity state agency assessment revenue. Infrastructure Other Funds revenues are generated from revolving loan funds, including loan repayments and interest earnings on balances. Federal Funds are received from the U.S. Department of Housing and Urban Development for the Community Development Block Grant program financial administration.

Budget Environment

Community and regional needs and the needs of businesses and industry drive the Department's programs and services. External forces, including changes in Oregon's economy, also impact the agency. The Operations Division workload is directly connected to the number and complexity of the agency's economic development programs. Workload is also affected by changes in organization and staffing. The addition of new programs, or the expansion of existing programs, increases administrative services workload and, correspondingly, the Operations budget. Personal services makes up 78.4% of the budgeted expenditures of the division.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Operations totals $21 million, which is an increase of $5.6 million, or 36.3%, from the 2021-23 legislatively approved budget. The increase is attributable to the investment in personal services capacity. The budget continues refinements to the staffing needs and operational capacity that were made in the prior biennium. Further increased capacity was also provided to address the influx of funding and establishment of new programs approved during the 2023 legislative session.

Actions taken by the September 2022 Emergency Board were also carried forward in the Operations division budget. This includes an increase of $380,782 Other Funds, $372,213 Federal Funds, and three permanent positions (3.00 FTE) for administration and activities associated with the Broadband Equity, Access, and Deployment (BEAD) grant, State Digital Equity Planning (DE) grant, and American Rescue Plan Act (ARPA) Capital Projects Funds.

Increased expenditure limitation of $218,032 Other Funds, including $72,677 from ARPA, and the establishment of a limited duration Procurement and Contract Specialist position (0.75 FTE) were also added. This position is a continuation of one that was added in 2021-23 to address workload issues with additional programs and funding allocated to the agency, including ARPA-funded programs and projects.

The current service level includes expenditure limitation of $11.6 million Other Funds for expenditures from the Economic Equity Investment Fund established in SB 1579 (2022) to award grants to organizations providing culturally responsive services supporting economic stability, self-sufficiency, wealth building and economic equity among disadvantaged individuals, families, businesses, and communities in Oregon. The adopted budget modifies the current service level by reducing grant expenditures and increasing personal services to add six limited duration positions for operation of the program. In the Operations program, this change increases expenditure limitation by $375,123 Other Funds and establishes a Procurement and Contract Specialist position (0.75 FTE) and Information Specialist position (0.75 FTE). Offsetting expenditure reductions in the Business, Innovation, and Trade program result in a net increase in expenditure limitation of $82,101 that is to be covered by interest earnings from the fund.

An increase of $56,148 Other Funds and the establishment of a limited duration Procurement and Contract Specialist position (0.25 FTE) were authorized in the Operations Division to support the Brownfields Properties Revitalization program established by HB 2518 (2021). The fund had been capitalized with a transfer of $5 million General Fund in the 2021 legislative session. The majority of the expenditure limitation for this program resides in the Infrastructure program.

Continued work on the agency's Economic Development Management System (EDMS) project was supported through an increase of $1.7 million Lottery Funds, $306,398 Other Funds, and one permanent Business Process Analyst position. Of the total funding, $1.275 million of the Lottery Funds expenditure limitation and $225,000 of the Other Funds expenditure limitation related to information technology professional services contracts are provided on a one-time basis. The project began in 2019-21 and has been revised from an in-house development project to a commercial off the shelf (COTS) solution. The project intends to replace the agency's legacy financial portfolio management system (Portfol).

The Portfol system is a custom-built application used to manage loan and grant awards; however, the system has reached its end of life and is no longer supported by the vendor. The unsupported system needs to be replaced with an application that will allow the agency to continue managing financial awards and provide additional functionality for tracking tax-incentives and meeting increased transparency and reporting requirements. As the project has developed, the agency identified other systems that can be deployed as a part of the system modernization project. Although a Senior Application Developer and IT Project Manager positions were authorized in 2021-23 to bolster in-house development capabilities, the positions remained vacant during a significant portion of the biennium to fund IT professional service contracts as the project evolved to seeking a COTS solution. One of the positions has since been converted to a Data Architect and the other position repurposed as a user adoption and training coordinator for EDMS and future programs.

The project has been re-scoped and a new timeline established. The agency is currently working on developing the planning and project artifact documents to achieve stage gate 2 certification from the Department of Administrative Services Enterprise Information Services. The solution will likely not start implementation until April 2024. A budget note directs the agency to report to the Joint Committee on Ways and Means during the

2024 session on the status of the project, updated implementation plans, timelines, expenditures, resource needs, and any other information related to the project as requested.

Business, Innovation, and Trade

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	103,117,250	293,952,253	--	24,500,000
Lottery Funds	45,667,101	88,528,852	66,730,539	83,877,615
Other Funds	167,659,807	303,999,826	41,675,178	255,560,004
Other Funds (NL)	2,818,414	12,976,785	12,976,050	12,976,050
Federal Funds	1,432,977	55,771,983	10,546,540	37,258,810
Total Funds	**$320,695,549**	**$755,229,699**	**$131,928,307**	**$414,172,479**
Positions	64	78	56	74
FTE	60.05	69.91	56.00	71.55

Program Description

The Business, Innovation, and Trade (BIT) program area houses the Department's business development programs that support business retention, expansion, and recruitment; international trade; and initiatives to increase innovation in the Oregon economy and improve the state's economic competitiveness. Major programs within the division include the Oregon Innovation Council, Governor's Strategic Reserve Fund, Small Business Assistance Programs, Oregon Manufacturing Innovation Center, and Oregon Metals Initiative. Other BIT programs include the Certification Office for Business Inclusion and Diversity, business finance direct loan and loan guarantee programs, the Industry Competitiveness Program, the University Innovative Research Fund, and the Solar Development Incentive program.

Several programs that were established in 2021-23 were approved to continue into 2023-25 either as ongoing programs or with the reauthorization of one-time funding. These programs include the following:

- *Emerging Opportunity Program* – Supports flexible grants to public and private entities for pilot projects that facilitate private investment in Oregon, with a focus on leading or emerging business sectors.
- *Technical Assistance for Underrepresented Businesses Program* – Provides funding to increase technical assistance to underrepresented businesses through a competitive grant program.
- *Oregon Rural Capacity Fund (HB 2345)* – Provides grants to Economic Development Districts for assisting rural jurisdictions in learning about, applying for, and managing grants and other funding opportunities that can be used to support workforce, infrastructure, economic and community development.
- *Loan-loss Reserve Program (HB 2266)* – Provides funding for loan-loss reserves of qualified lenders to increase lending to business owners who currently lack access to capital to start or grow their business.
- *Disadvantaged and Emerging Small Business Loan Fund (HB 2266)* – Provide direct loans to certain eligible businesses that have been certified by the Certification Office for Business Inclusion and Diversity.

New programs established in the 2023 session and administered through the Business Innovation and Trade Division include:

- *Agricultural Overtime Award (HB 2058)* – Award program for certain agricultural employers required to pay overtime wages under HB 4002 (2022), which provides bridge funding in anticipation of receipt of the tax credit for agricultural overtime pay.
- *Oregon CHIPS and Science Act (SB 4) and Industrial Land Loan Fund* – Provides financial assistance for economic development with respect to industrial land development, semiconductors, and advanced manufacturing.

- *Outdoor Industry (HB 3410)* – Matching grants to membership organizations and business accelerators for capacity building and technical assistance in the outdoor gear and apparel industry.

Revenue Sources and Relationships

Revenues for the 2023-25 biennium include General Fund, Lottery Funds, Other Funds, and Federal Funds. General Fund support is limited to the University Innovation Research Fund and the reestablishment of one-time appropriations made in the prior biennium for the Emerging Opportunities program and municipal wildfire relief grants. Ongoing program area activities are primarily financed by Lottery Funds allocated for business development and innovation programs. Other Funds revenues generated through loan principal and interest repayments, royalties, investment earnings on revolving loan and loan guarantee fund balances, and loan and service fees support business finance direct loan and loan guarantee programs. The Certification Office for Business Inclusion and Diversity is funded with Other Funds from state agency assessments and revenue transferred from the Oregon Department of Transportation. Additionally, federal revenue from the American Rescue Plan Act is transferred to OBDD by the Department of Administrative Services and budgeted as Other Funds expenditures. Federal Funds expenditures are funded from federal grants, including the State Small Business Credit Initiative grant and the State Trade and Export grant.

Budget Environment

The Business, Innovation, and Trade Division includes the agency's primary initiatives to create and retain jobs, and its budget has been substantially expanded in recent years. BIT programs implement the agency's economic development strategy, including growing the Oregon economy through investments in innovation and research and development, focusing on small and medium-sized business growth, building economic development capacity in rural communities, and providing economic opportunity for underrepresented populations.

The past two biennia were shaped significantly by the COVID-19 pandemic, with many businesses, sectors, and individuals severely impacted. Although the pandemic has subsided, the economic recovery that has followed has been mixed. Unemployment has reached and sustained historic lows while high inflation has impacted purchasing power, investment, and financing decisions for households and businesses alike.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Business, Innovation, and Trade Division totals $414.2 million, which is a decrease of $341.1 million, or 45.2%, from the 2021-23 legislatively approved budget. The decrease is due to the phasing out of one-time activities funded in 2021-23 to support struggling industries and communities during the COVID-19 pandemic.

Early in the 2023 legislative session, SB 4 created the Oregon CHIPs Fund, the Industrial Land Loan Fund, and associated programs to provide financial assistance supporting economic development with respect to industrial land development, semiconductors, and advanced manufacturing. In the Business, Innovation, and Trade Division, a $190 million General Fund appropriation was made for deposit into the CHIPs Fund along with corresponding Other Funds expenditure limitation for the 2021-23 biennium. Most of the Other Funds expenditure limitation was reestablished in the agency's 2023-25 budget to support the continued expenditure of the remaining revenue in the fund. Five permanent positions (2.88 FTE) were authorized for the administration of the Oregon CHIPS program.

SB 4 also appropriated $10 million General Fund in 2023-25 for capitalization of the University Innovation Research Fund and established a corresponding $10 million Other Funds expenditure limitation for the revenue deposited into the fund. This expenditure limitation was increased by an additional $3 million to allow the agency to expend existing fund balances remaining in the fund from the prior biennium.

HB 3410 (2023) made two investments through the Business, Innovation, and Trade Division. First, an increase of $500,000 Lottery Funds supports matching grants for membership organizations and business accelerators whose purpose is to grow the outdoor gear and apparel industry. The matching grants are intended to be used for capacity building and technical assistance needs of the organizations and accelerators. Second, an increase of $3 million Lottery Funds supports Small Business Development Centers.

Other Funds expenditure limitation of $9.45 million was established for the Agricultural Overtime Award Fund. The Agricultural Overtime Award program was established by HB 2058 (2023) and created an award program for certain agricultural employers required under HB 4002 (2022) to pay overtime wages in anticipation of receipt of the tax credit for agricultural overtime pay.

The current service level included expenditure limitation of $11.6 million Other Funds for expenditures from the Economic Equity Investment Fund established in SB 1579 (2022) to award grants to organizations providing culturally responsive services supporting economic stability, self-sufficiency, wealth building and economic equity among disadvantaged individuals, families, businesses, and communities in Oregon. The adopted budget modified the current service level by reducing grant expenditures and increasing personal services to support six limited duration positions for operation of the program. In Business, Innovation, and Trade, the adjustment results in a net reduction of $293,022 Other Funds and the establishment of an Administrative Specialist (0.75 FTE) and a program management position (0.75 FTE). Expenditure increases in the Operations program result in a net increase in expenditure limitation of $82,101 to be covered by interest earnings from the fund.

A one-time General Fund appropriation of $13.5 million was approved for the completion of projects through the Emerging Opportunities Program, which provides flexible grants to public and/or private entities for pilot projects targeted at facilitating private investment in Oregon. This program was authorized in the 2021 legislative session and funded with a General Fund appropriation of $25 million. Of that original appropriation, the agency estimated that $13.5 million will remain unexpended at the end of the 2021-23 biennium and therefore this action reestablishes the expenditure authority in the 2023-25 for the unspent balance.

A one-time $1 million General Fund appropriation was approved for grants to local governments to aid in the short and long-term efforts to recover from the 2020 wildfire season. A $6 million appropriation was provided to OBDD for this purpose in 2021-23. Of that original appropriation, the agency estimated that $1 million in grant awards will remain unexpended at the end of 2021-23. The funding is available for various activities, such as human resources, land use planning, infrastructure planning, FEMA recovery applications, building permit application processing, financial and administrative program support, and translation services.

A one-time Lottery Funds increase of $8.5 million was approved to allow the agency to expend previously allocated Lottery Fund revenues for committed funding agreements that were anticipated to be in place by the end of the 2021-23 biennium. Specific amounts included in the total are:

- $5 million from the Strategic Reserve Fund
- $1.3 million for operations and activities of the Oregon Manufacturing Innovation Center
- $1 million from the Industry Competitiveness Fund
- $656,500 for projects related to the Oregon Metals Initiative
- $521,000 for expenditures of the Oregon Innovation Council

A one-time increase of $5 million Lottery Funds and one limited duration Program Analyst position (1.00 FTE) were approved to provide resources to the Technical Assistance for Underrepresented Businesses program. The funding will be used for competitive grants to culturally specific organizations to increase their technical assistance capacity. These organizations are uniquely positioned to deliver business technical assistance through staff with similar cultural, language, and lived experiences to the communities that they serve.

In the Certification Office for Business Inclusion and Diversity (COBID), an increase of $1.3 million Other Funds and four permanent positions (4.00 FTE) were approved. Two of the positions are Compliance Specialists (2.00 FTE) to address both current and anticipated workload issues. Two Public Affairs Specialist positions (2.00 FTE) were added to evaluate current program efforts and develop new methods and standards to improve outreach efforts and address application and engagement needs.

Several additional adjustments were included in the division's budget dealing with program staffing. An increase of $212,270 Federal Funds, $609,066 Other Funds, including $408,641 in ARPA funds, and two limited duration Regional Project Manager positions (1.30 FTE) supports the continuation of work on ARPA funded programs with funding carried forward from 2021-23. A limited duration Regional Project Manager position (0.75 FTE) was authorized for federal grant funded work associated with U.S. Department of Commerce, Economic Development Authority grants received by OBDD in 2021-23. A permanent Business Finance position (1.00 FTE) was also established to address ongoing workload and Lottery Funds expenditure limitation was increased by $15,385 for the reclassification of positions, as approved by the Department of Administrative Services Chief Human Resource Office.

Various adjustments were also made to align overall agency expenditures with legislative priorities. Lottery Fund expenditure limitation was decreased by $2.8 million, Other Funds expenditure limitation increased by $97,000, and two positions (2.00 FTE) in the program were transferred to other divisions. These changes result from the following:

- A reduction of $788,231 and the elimination of two positions (2.00 FTE) associated with the transfer of a government relations position (1.00 FTE) and a Diversity, Equity, and Inclusion manager (1.00 FTE) to the Director's Office.
- A reduction of $975,745 from the Strategic Reserve Fund, which was included in the agency's reduction options and represents a 10% reduction in expenditures from the current service level.
- A reduction of $468,685 in expenditure authority for the Oregon Innovation Council, which was included in the agency's reduction options and represents a 2.5% reduction from the current service level.
- A $533,861 reduction in unallocated services and supplies expenditures, as included in the agency's reduction options.
- An increase of $97,000 Other Funds for the agency to transfer interest earnings accrued in the Eastern Oregon Border Economic Development Fund in the prior biennium to the Eastern Oregon Border Economic Development Board.

Infrastructure

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	3,709,521	101,390,179	--	24,942,667
Lottery Funds	3,082,319	4,765,167	2,991,498	20,170,779
Other Funds	165,262,431	1,152,391,519	261,222,806	899,124,615
Other Funds (NL)	171,920,292	316,132,914	336,420,811	366,420,811
Federal Funds	36,490,804	63,550,130	37,994,999	57,801,454
Total Funds	**$380,465,367**	**$1,638,229,909**	**$638,630,114**	**$1,368,460,326**
Positions	34	46	33	45
FTE	33.26	39.96	33.00	43.14

Program Description

The Infrastructure program area houses the Department's community development initiatives that assist communities primarily through infrastructure improvements. Infrastructure programs finance projects for municipalities, schools, nonprofits, and private organizations that address public health, safety, and compliance issues and support business establishment and expansion within a community. The Special Public Works Fund, Water Fund, and Safe Drinking Water Revolving Loan Fund are the primary revolving loan programs. Other

Infrastructure programs include the Community Development Block Grant, Port Revolving Loan Fund, Port Planning and Marketing Fund, and Marine Navigation Improvement Fund. The Department is also responsible for administering Regional Solutions projects funded through the Regional Infrastructure Fund.

In the 2013 session, the Legislature approved the transfer of the Seismic Rehabilitation Grant Program from the Military Department to the Infrastructure Division, effective January 1, 2014. The Brownfields, Industrial Lands, and Broadband programs were also transferred to the Infrastructure Division from BIT in the 2015-17 budget. Infrastructure financing programs are overseen by an independent nine-member Infrastructure Finance Authority (IFA) Board. The Division was originally called the Infrastructure Finance Authority but was renamed Infrastructure to reflect the addition of infrastructure programs that are not under the governance of the IFA Board.

Revenue Sources and Relationships
Infrastructure programs are primarily financed with Other Funds generated from the issuance of bonds and earnings on revolving funds. Proceeds from the issuance of lottery revenue bonds have been regularly approved to capitalize revolving loan funds to make infrastructure loans and grants. Lottery bond proceeds also support designated infrastructure and Regional Solutions projects. Revolving loan funds generate additional Other Funds revenues from loan principal and interest repayments, fees and service charges, and investment earnings. Oregon Bond Bank revenue bonds are also issued to finance infrastructure loans. The expenditures of the bond proceeds distributed to localities as loans or grants from revolving loan funds are budgeted as Other Funds Nonlimited. Expenditures for program administrative costs are primarily funded with earnings generated from revolving loan funds are budgeted as limited Other Funds expenditures. Programs that exclusively award grants, such as Regional Solutions and the Levee Grant program, are also budgeted as limited Other Funds.

Seismic Rehabilitation Grants are financed through the issuance of Article XI-M and XI-N general obligation bonds. Article XI-M bond proceeds finance grants for schools and Article XI-N proceeds finance grants for emergency services facilities. Lottery Funds support the administration of the Seismic, Industrial Lands, and Broadband programs. Federal Funds are received for the Brownfields, Community Development Block Grant (CDBG), and Safe Drinking Water (SDW) programs. State match for CDBG and SDW is provided by SPWF. Although the SDW program is supported by both state and federal funds, the entire program is budgeted as Other Funds. The Oregon Health Authority Drinking Water Services program manages the U.S. Environmental Protection Agency program grant and transfers these funds to OBDD's Infrastructure Division to administer SDW loans.

Debt service costs on the lottery revenue bonds issued to finance Infrastructure programs are paid with Lottery Funds, and debt service on general obligation bonds issued for Seismic Rehabilitation Grants are paid with General Fund. However, debt service payments are shown in the Lottery and General Obligation Bond Debt Service program area, and not in the Infrastructure budget.

Budget Environment
The COVID-19 pandemic created headwinds for both revenues and local government capacity to engage in community and economic development. The pandemic also brought a temporary sharp reduction in Lottery Fund revenue due to the closure of most restaurants and bars equipped with video lottery terminals. Although the pandemic has subsided, the economic recovery that has followed has been mixed. Unemployment has reached and sustained historic lows while at the same time high inflation has impacted purchasing power, investment, and financing decisions for households and businesses alike.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Infrastructure totals $1.4 billion, which is a $269.8 million, or 16.5%, decrease from the 2021-23 legislatively approved budget. Although the budget is lower, it continues to represent a significant increase in support for community and economic development considering the 2021-23 legislatively adopted budget was 163.2% higher than the prior biennium due to one-time investments.

HB 2010 (2023) provided budgetary resources and directives to multiple state agencies to address water supply and drought related issues. The measure directed OBDD to establish the Aquifer Recharge Fund and administer the Aquifer Recharge Due Diligence Grant and Loan Programs. The measure made a one-time appropriation of $3 million General Fund for deposit into the Aquifer Recharge Fund and included a corresponding $3 million Other Funds expenditure limitation. Additionally, the bill appropriated $271,188 General Fund for OBDD to establish one limited duration full-time Program Analyst 3 (0.88 FTE) for developing and implementing program policies, administer the program, and coordinate the technical review.

As part of a series of investments supporting rural Oregon, HB 3410 (2023) included $3 million Lottery Funds for OBDD to develop a program for awarding grants to county fair operators for the operation and maintenance of county fairs and fairgrounds. Up to 5% of the total is to cover actual administrative costs, including one limited duration Program Analyst 3 position (0.50 FTE) to coordinate with stakeholders, design application materials and administrative processes, oversee implementation, request grant contracts, and draft reports to the Legislature.

To address concerns regarding the cost that child care providers face, particularly costs related to workforce and capital improvements, HB 3005 (2023) directed OBDD to administer a financial assistance program to cover the costs of expansion and improvements of child care facilities and services and establishes the Early Childhood Infrastructure Fund. Fund capitalization was separately provided by the authorization to issue $50 million in lottery revenue bonds in HB 5030 (2023). Other Funds expenditure limitation for the bond proceeds and their associated bond cost of issuance of $525,793 was provided in the end of session omnibus budget bill, SB 5506. For the administration of the Childcare Infrastructure Fund, an increase in Lottery Funds expenditure limitation of $534,259 and the establishment of three positions (2.13 FTE) was approved.

A General Fund appropriation of $10 million was approved in SB 4 (2023) for deposit into the Industrial Land Loan Fund for the 2021-23 biennium. The primary 2023-25 budget bill for the agency, SB 5524, provided associated Other Funds expenditure limitation of $10 million to provide financial assistance in the form of repayable or forgivable loans, or through the purchase of bonds issued by a project sponsor, to a project sponsor, and other allowable uses of the fund.

The legislatively adopted budget also includes General Fund appropriations for the completion of a series of projects funded in the 2021-23 biennium but not fully expended. The 2023-25 amounts include:

- $10 million for distribution to the Oregon International Port of Coos Bay for the completion of engineering and design work related to the deepening and widening of the Federal Navigation Channel at Coos Bay. The 2021-23 appropriation was $15 million.
- $1 million for providing financial assistance to local governments impacted by the 2020 wildfire season for their building and planning departments' staffing needs. The 2021-23 appropriation was $4.3 million.
- $750,000 for a grant to the Historic Rivoli Theater Performing Arts Center Restoration Coalition for work on the Rivoli Theater restoration. The 2021-23 appropriation was $1.5 million and was part of a series of rural infrastructure investments.
- $684,000 for distribution to the City of St. Helens for completing several activities related to the fill and redevelopment of a portion of the city's wastewater lagoon connecting the city's downtown riverfront district with the city-owned industrial park. The 2021-23 appropriation was $984,000.

In addition, the following General Fund appropriations were reestablished for water and wastewater projects that were originally funded in the 2019-21 biennium:

- $3.5 million for a grant to the City of Sweet Home for a wastewater treatment plant upgrade. This represents the estimated unspent funding from a 2021-23 appropriation of $7 million General Fund, which was a renewal of an unspent appropriation approved for the same purpose in 2019-21.

- $5.7 million for a grant to the Confederated Tribes of the Warm Springs for water system and wastewater treatment plant upgrades. This includes unspent amounts from a $5.6 million appropriation approved in the 2021 session for water system upgrades and $89,479 approved in the 2022 session for the reestablishment of unexpended amounts from appropriations totaling $7.8 million in 2019-21.

Specific direction was included in the agency's budget bill (SB 5524) to note that these actions are intended to reestablish the expenditure authority in the 2023-25 biennium for these unspent funds from the 2021-23 biennium. The Legislature's intent is that total program expenditures over both biennia do not exceed the original appropriation amounts noted for each item.

A $15.1 million increase in Lottery Funds was approved for the distribution of grants to local governments for the following infrastructure projects:

- $2.4 million for the City of Estacada New Wastewater Facility Project
- $2.5 million for Port of Morrow, South Morrow County Water and Transportation Infrastructure Development
- $2.25 million for Harney County Industrial Improvements – B Street Extension
- $2.2 million for City of Waldport Industrial Park Sewer expansion
- $2.4 million for Wheeler County Industrial Development
- $306,420 for City of Lowell Water Treatment Plant Upgrades
- $984,500 for Illinois Valley Fire District Extension of Water & Sewer Lines
- $750,000 for City of Port Orford Water Recycling Project
- $1.3 million for Tillamook County Shiloh Levee Rehabilitation

A one-time Lottery Funds increase of $1.6 million was also approved to expend previously allocated Lottery Funds for a funding agreement with the Port of Port Orford for a cannery improvement project. The funding was originally allocated in 2021-23 but remained unexpended at the close of the biennium. The project centers on the creation of a seawater system that would allow the Port to provide sustainable operational support to the fishing fleet, facilities for on-site marine research, and ocean-related recreational opportunities.

The 2023-25 adopted budget also reestablishes $267.6 million in Other Funds expenditure limitation that had been phased-out in the current service level budget. The Other Funds represents unexpended ARPA State Fiscal Recovery Funds approved for water and wastewater infrastructure projects. The table below lists the specific projects, original amounts approved in 2021-23, and reestablished amounts in 2023-25.

Recipient	**Project Description**	**Original Funding Amount**	**2023-25 Biennium Funding Reestablished**
Arch Cape Domestic Water Supply District	Arch Cape Forest Project	$2,000,000	$940,000
City of Ashland	Talent-Phoenix-Ashland Intertie Improvements	$3,000,000	$3,000,000
City of Astoria	Wastewater Treatment Plant Headworks Improvement	$4,860,000	$4,660,400
City of Astoria	16th St Distribution Waterline Replacement	$2,790,000	$2,440,000
City of Astoria	Pipeline Road Waterline Resilience	$2,930,000	$2,930,000
City of Aumsville	Water System Improvements	$3,257,000	$3,257,000
City of Aurora	Water Storage Tank and Pump Station	$4,284,203	$3,279,644

Recipient	Project Description	Original Funding Amount	2023-25 Biennium Funding Reestablished
City of Aurora	Wastewater Treatment Plant Facility	$10,545,543	$10,485,543
City of Carlton	Wastewater Treatment Plant	$5,800,000	$5,400,000
City of Cave Junction	Water Distribution Center	$200,000	$50,000
City of Clatskanie	Wastewater Treatment Plant	$10,000,000	$9,800,000
City of Corvallis	Rock Creek Transmission Main	$10,500,000	$10,000,000
City of Detroit	Drinking Water System	$3,000,000	$2,250,000
City of Echo	Wastewater System Improvements	$1,500,000	$32,899
City of Echo	Water System Improvements	$5,530,000	$5,280,000
City of Elgin	Wastewater Collection System	$2,640,125	$1,640,125
City of Falls City	Wastewater Treatment Facility	$2,500,000	$2,500,000
City of Garibaldi	Wastewater Master Plan	$160,000	$135,000
City of Gates	Water Meter Replacement Equipment	$25,000	$12,369
City of Hood River	Waterfront Stormwater Line	$2,694,953	$2,694,953
City of Lafayette	Reservoir Project	$2,250,000	$2,200,000
City of Lakeside	New Wastewater Treatment Plant	$14,628,685	$14,128,685
City of Medford	SW Medford Water and Sewer Infrastructure	$2,700,000	$2,700,000
City of Merrill	Water Line Improvements	$275,000	$225,000
City of Mill City	Storm Drainage Improvements	$2,923,500	$2,673,500
City of Mill City	Sewer Improvements	$2,500,000	$2,500,000
City of Mosier	Wastewater Treatment Plant Improvements	$2,500,000	$2,400,000
City of Nyssa	Water Expansion	$3,000,000	$500,000
City of Philomath	Water Treatment Plant and Reservoir Construction	$12,000,000	$11,750,000
City of Phoenix	Charlotte Ann Water District Transition	$5,000,000	$4,750,000
City of Powers	Sewer Collection System Grouting & Repair	$3,000,000	$2,750,000
City of Redmond	Skyline Village Affordable Housing Sewer	$950,000	$950,000
City of Reedsport	Flood Reduction Resiliency Project	$1,150,260	$1,150,260
City of Roseburg	Stormwater Drainage Improvements	$1,570,064	$1,470,064
City of Sandy	Wastewater System Improvements	$14,700,000	$13,700,000
City of Scappoose	New Headworks-Grit Chamber-Smith Road Pump Station	$3,100,000	$3,050,000
City of Scappoose	Basalt Well, Keys Rd Reservoir, Miller WTP Repair	$6,900,000	$6,850,000
City of Tillamook	Water Transmission Line Replacement	$12,000,000	$12,000,000
City of Turner	Water Pipe Project	$3,000,000	$2,900,000
City of Waldport	Water Tank Project	$974,850	$874,850
City of Waldport	Wastewater Treatment Plant	$1,400,000	$1,300,000
Crane Union School District	Crane Community Water and Sewer System	$3,200,000	$2,900,000
Hyak Tongue Point, LLC	1500 Metric Ton Mobile Lift Project	$7,000,000	$2,614,536
Lane County	McKenzie River Area Water & Wastewater Project	$5,166,667	$5,106,667
Lane County	McKenzie River Area Septic Repair & Replacement	$5,166,667	$4,966,667

Recipient	Project Description	Original Funding Amount	2023-25 Biennium Funding Reestablished
Lane County	McKenzie River Area Water & WW Prelim Eng Report	$5,166,667	$4,966,667
Lincoln County	Lincoln County Panther Creek Septic	$2,552,350	$2,352,350
Lincoln County	Lincoln County Panther Creek Stormwater	$1,447,650	$1,397,650
Lincoln County	Well Repair	$500,000	$450,000
Lyons-Mehama Water District	Reservoir and Pipeline Improvements	$5,260,000	$5,260,000
Mapleton Water District	Water Infrastructure Project	$1,140,000	$840,000
Marion County	North Santiam Canyon Sewer Project	$50,000,000	$45,000,000
Panther Creek Water District	Water Reservoir Replacement	$1,800,000	$1,651,557
Panther Creek Water District	Regional Drinking Water Quality Improvements	$11,000,000	$10,800,000
Port of Toledo	Sanitary Sewer Extension to Hwy 20	$2,425,798	$1,925,798
Town of Lakeview	Water Treatment Facility	$15,000,000	$15,000,000
Wasco County Conservation District	Mosier Million #2	$900,000	$800,000
Total Project Funding		**$292,464,981**	**$267,642,183**

The 2023-25 legislatively adopted budget establishes Other Funds expenditure limitation of $20 million for the Oregon Industrial Site Readiness Program for tax reimbursements. Program revenues are transferred to OBDD from the Department of Revenue. The program enables local governments to recover the costs associated with preparing regionally significant industrial sites for industrial use by receiving up to 50% of the state income tax paid by employees working at the site whose average wage is at least 150% of the county or state average wage, whichever is less. Beginning the year after a project's employment thresholds are reached, tax reimbursements are annually distributed to the approved local government. The department is authorized to reimburse $10 million per year across all projects.

An adjustment was made in SB 5506 to correct an error in OBDD's primary budget bill, SB 5524. This change reduced expenditure limitation from the Broadband Fund related to ARPA Capital Project Funds and provided language that appropriately provides expenditure limitation for only the amounts in the Broadband Fund that are from ARPA Capital Project Funds, as other sources of revenue are comingled in that fund. The revised language also updated the amount of expenditure limitation to reflect the total amount anticipated to be transferred to OBDD ($156.4 million, which is a net increase of $49.8 million). The funding that was anticipated to be transferred in the prior biennium did not actually get transferred due to conflicts arising from the statutorily defined uses of funds deposited in the Broadband Fund in conflict with federal guidance on the expenditure of the ARPA Capital Project Funds. These conflicts are anticipated to be resolved with the adoption of HB 3201 (2023), which contains provisions aligning the stated uses of the fund with federal guidance.

An increase of $264,800 Other Funds and one permanent Operations and Policy Analyst position (1.00 FTE) in the Infrastructure Division was provided to allow the agency to expand staffing related to the administration of the Safe Drinking Water Revolving Loan Fund in anticipation of significant increased federal funding through the Infrastructure Investment and Jobs Act (IIJA). OBDD operates the Safe Drinking Water Revolving Loan Fund through an interagency agreement with the Oregon Health Authority.

One-time increases in Other Funds expenditure limitation totaling $26.4 million allow the agency to expend remaining funds allocated to four programs or projects authorized in 2021-23. The individual funding amounts and purposes are as follows:

- $2.1 million and a part-time Operations and Policy Analyst position (0.13 FTE) for providing grants or loans to plan or construct tide gates, culverts, and associated drainage infrastructure; obtain professional services for tide gate coordination; or support technical studies that have a statewide benefit for tide gate project development.

- $7.5 million for providing grants for levee projects from the Levee Project Grant Fund. This increases the amount of Other Funds available for this purpose to $15 million.
- $4 million for County Fair Capital Improvement grants, which is in addition to $5 million included in the current service level. The funding for these grants is from the net proceeds of bonds issued in 2021-23.
- $12.8 million for a drinking water system project by the City of Salem funded from the net proceeds of bonds issued in the prior biennium. The project's total funding is $20 million.

An increase of $4.9 million Other Funds, $1.7 million Federal Funds, and one permanent Operations and Policy Analyst position (1.00 FTE) supports the Brownfields Properties Revitalization program established by HB 2518 (2021) and the administration of federal grants through the Brownfields Cleanup Fund. The bill established a program to provide forgivable loans to private owners or operators for the reimbursement of eligible costs incurred for removal or remedial actions at brownfield sites. A $5 million General Fund appropriation was made to capitalize the fund in the prior biennium. The additional Other Funds expenditure limitation supports roughly half of the costs of the position and forgivable loans and program administrative costs from the Brownfields Properties Revitalization Fund. The increased Federal Funds expenditure limitation supports the remaining half of the costs of the position and provides expenditure authority for over $1.5 million in special payments for the provision of loans and grants for brownfield cleanup projects. A report detailing the program's operations and loan recipients is required to be submitted before January 1, 2023.

During the September 2022 meeting of the Emergency Board, Federal Funds expenditure limitation of $2.8 million and the authorization of eight full-time permanent positions were approved to support OBDD's work funded by federal grants for Broadband Equity, Access, and Deployment (BEAD), State Digital Equity (DE) Planning, and ARPA Capital Projects Funds. The total grant funding available for the BEAD and DE planning projects was $5 million. The 2023-25 legislatively adopted budget reestablished Federal Funds expenditure limitation of $3.5 million and reauthorized the establishment of five positions (5.00 FTE) in the Infrastructure Division for costs associated with the BEAD and DE projects. The other three positions and a portion of the original funding was associated with the ARPA Capital Projects Funds for broadband. That funding and associated position authority were also included in the 2023-25 biennium, but in the Business, Innovation, and Trade Division.

Federal Funds expenditure limitation of $14.7 million was approved to allow the agency to expend anticipated funding from the U.S. Forest Service for grants and loans for economic development projects that benefit communities near the Opal Creek Wilderness area. In 1996, 37,500 acres of federal forestlands were transferred to the Opal Creek Wilderness Area. In conjunction with the land transfer, $15 million in federal funding was authorized to address economic development for communities near the wilderness area to mitigate the potential loss of timber revenues for those communities.

In anticipation of the issuance of general obligation bonds for the seismic rehabilitation program, expenditure limitation of $150 million Other Funds was included for program grants. This increase includes $100 million for public school buildings and $50 million for emergency services facilities. An increase in expenditure limitation of $1.5 million was also included for the payment of costs associated with the issuance of the bonds.

Lottery revenue bonds were authorized for issuance in HB 5030 and an increase in Other Funds expenditure limitation totaling $43.3 million was provided in SB 5506 for the distribution of grants for the following capital projects:

- $20 million for Port of Coos Bay Channel Modification
- $5 million for Umatilla Electrical Cooperative Association Industrial Site Utility Expansion
- $5 million for City of Aumsville Wastewater System Improvements

- $5 million for City of Molalla New Wastewater Treatment Plant
- $4.5 million for City of Phoenix Industrial Improvements, South Valley Employment Center
- $3.8 million for City of Newport Wastewater Treatment and Conveyance System Improvements

HB 5030 also authorized lottery revenue bonds totaling $40 million for the capitalization of the Special Public Works Fund. The fund is used to provide loans and grants to eligible municipalities for planning, design, and construction of essential public infrastructure. Increased Other Funds expenditure limitation related to the issuance of the bonds was authorized in SB 5506. An adjustment to the agency's Other Funds Nonlimited budget of $30 million was approved for general Special Public Works Fund projects and an increase of $10 million Other Funds is for distribution of grants for levee projects.

Film and Video Office

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Lottery Funds	1,147,182	1,419,830	1,479,463	1,479,463
Total Funds	**$1,147,182**	**$1,419,830**	**$1,479,463**	**$1,479,463**

Program Description

The Film and Video Office is a semi-independent agency for Oregon's statewide promotion of the film, video, and multimedia industries. As a semi-independent agency, OBDD does not oversee the Office and its employees are not considered state employees or included in OBDD's position count. The Office promotes the production of media projects in Oregon and recruits film productions through marketing efforts, assists productions, creates public-private partnerships to support the industry, and administers the state's film and video incentive programs. While the Office has traditionally worked with film, television, and commercial producers, customers have expanded to the growing animation, digital media, and video game production industries.

Revenue Sources and Relationships

Lottery Funds support the Film and Video Office's operating costs, including personnel costs for the Office's four staff. The Office administers two film incentive programs financed through tax credits, which impact the state budget as reductions in revenue. These include the Oregon Production Investment Fund (OPIF) and Greenlight Oregon Labor Rebate. The OPIF provides film producers with a cash rebate of up to 20% on qualified goods and services expenditures and up to 10% of Oregon payroll costs. OPIF rebates are financed through an annual tax credit auction conducted by the Department of Revenue. The Greenlight Oregon Labor Rebate program provides a rebate of up to 6.2% of Oregon payroll costs for qualifying projects that spend more than $1 million in Oregon.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Film and Video Office totals $1.5 million Lottery Funds, which reflects the Office's current service level budget. Support for the Film and Video Office's incentive programs is also provided in the 2023-25 biennium, although rebates awarded under the programs are not included in budgeted expenditures.

Arts

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	3,114,109	4,092,881	4,352,292	10,974,571
Lottery Funds	1,686,788	--	--	--
Other Funds	10,788,328	22,621,720	9,075,663	21,261,895
Federal Funds	1,924,531	2,922,644	2,208,982	2,208,186
Total Funds	**$17,513,756**	**$29,637,245**	**$15,636,937**	**$34,444,652**
Positions	10	10	10	10
FTE	9.50	9.50	9.50	9.50

Program Description
The Arts program includes the Oregon Arts Commission and Trust for Cultural Development (Oregon Cultural Trust). The Arts Commission was established in 1967 and became a part of OBDD in 1993. The mission of the Commission is to enhance the quality of life for all Oregonians through the arts by stimulating creativity, leadership, and economic vitality. Nine commission members, appointed by the Governor, develop statewide arts policy and oversee the grant-making activities of the Arts Commission. The Commission coordinates regional efforts and arts education programs through a network of regional arts councils and collaborates to advance arts education for all students. Commission activities include evaluating the impact of arts on Oregon's economy; distributing National Endowment for the Arts (NEA) funding; providing services to arts organizations, individual artists, and communities; and managing Oregon's Percent for Art Program.

The Oregon Cultural Trust was established in 2001 to lead Oregon in cultivating, growing, and valuing culture as an integral part of communities. A Cultural Tax Credit was created to encourage contributions to support and provide ongoing funding for the Cultural Trust. Subject to certain restrictions and limitations, donors are eligible for a credit against Oregon income taxes for the full amount of their donations to the Trust. The Trust also receives funds from the sale of Cultural Trust vehicle license plates. An 11-member Trust for Cultural Development Board, appointed by the Governor, governs the Trust's activities.

Revenue Sources and Relationships
General Fund supports the Arts Commission's operations and grant programs and provides the required one-to-one match for federal NEA funds. The Arts Commission receives both designated and competitive federal NEA funding to support grant programs. Other Funds received by the Arts Commission include donations and grants from partner organizations, such as the Oregon Cultural Trust, Oregon Community Foundation, and Ford Family Foundation, as well as revenue from the Percent for Art Program. Oregon Percent for Art is a statutory program that requires 1% of the cost to construct or renovate most state buildings be used for the acquisition of artwork. The Arts Commission receives up to 10% of the Percent for Art revenue to administer the program, which depends on the state building projects approved each biennium.

The Oregon Cultural Trust is primarily supported with Other Funds from donations received through the Cultural Tax Credit, but it also receives interest earnings on the Trust for Cultural Development Account (Trust Account), and revenue from the sale of Oregon Cultural Trust license plates. ODOT transfers revenue from the current license plate surcharge of $25 per annual renewal, which had been $15 per annual renewal until it was increased by HB 4061 (2020 regular session), to the Cultural Trust for marketing and promotional costs.

Annual donations of approximately $4-5 million are utilized to support the Trust through a statutory distribution formula that requires 40-50% of annual donations be deposited in the Trust Account. The remaining 50-60%, plus interest earnings on the Trust Account, are to be distributed as Cultural Development Grants (50%), Community Cultural Participation grants (25%), and grants to core partner agencies (25%), with up to $400,000 (adjusted annually for inflation) for operation of the Trust. In the 2019 session, the Cultural Trust Tax Credit was extended through January 1, 2026.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Arts Division totals $34.4 million, which is an increase of $4.8 million, or 16.2%, from the 2021-23 legislatively approved budget. This increase is driven almost entirely by the addition of $6.2 million in General Fund grants to cultural venues offset by the phase-out of certain General Fund investments approved in 2021-23.

Of the net General Fund increase, $5.6 million supports the distribution of grants to specified cultural venues to offset financial losses suffered by these organizations due to the negative impact of the COVID-19 pandemic. As funded in SB 5506, the individual grant amounts and recipient venues are summarized in the following table:

Venue	2023-25 Amount
Aladdin	$269,623
Alberta Rose	$107,925
Alberta Street Pub	$49,892
Artichoke Music	$28,690
Ashland Armory	$136,133
Atlantis Lounge	$44,811
Barnstormers Theatre	$14,051
The Belfry	$20,431
BodyVox	$24,934
Bossanova	$65,317
Britt Festival Pavilion	$67,151
Cascades Theatre Company	$33,418
Coaster Theatre Playhouse	$14,051
CoHo Productions	$13,348
Cottage Theatre	$23,981
Craterian Performances Company	$112,128
Crystal Ballroom	$285,580
Cuthbert Amphitheater	$107,511
Dante’s	$103,672
Domino Room	$20,127
Doug Fir	$145,877
Egyptian Theatre	$28,102
The Elgin Opera House	$30,507
Elsinore Theatre (Historic)	$109,368
45 East, LLC	$128,301
Gallery Theater	$17,089
The Goodfoot	$57,730
Hawthorne Theatre	$171,267
Headwaters Theatre/Water in the Desert	$13,386
Historic Rogue Theatre	$30,380
Holocene	$111,267
HQ LaGrande	$4,310
Hult Center for the Performing Arts	$203,166
Imago Theatre	$39,748
Jack London Revue	$34,785
Jazz Station/Willamette Jazz Society	$11,393
KALA	$7,595
Kelly’s Olympian	$19,747
Kickstand Comedy (formerly Brody Theater)	$33,057
Lakewood Center for the Arts	$45,570
Laurelthirst Public House	$30,836
Liberty Theater	$33,627
Lincoln City Cultural Center	$17,089

Venue	2023-25 Amount
Little Theatre on the Bay/ Liberty Theatre (North Bend)	$45,665
Majestic Theatre	$51,266
McDonald Theatre	$115,463
Midtown Ballroom	$31,899
Milagro Theatre	$13,948
Mississippi Studios	$159,522
New Expressive Works	$13,606
Newport Performing Arts Center (2 stages)	$60,001
Northwest Children's Theater	$43,671
OK Theater	$9,494
Old Church Concert Hall	$47,469
Oregon Contemporary Theatre	$28,102
Pentacle Theatre	$14,290
Portland Institute for Contemporary Art	$101,845
Pickathon	$230,634
Polaris Hall	$99,654
Portland Playhouse	$46,265
Revolution Hall	$235,604
Roseland	$263,706
Ross Ragland Theater	$130,873
Sawdust Theatre	$3,798
Shaking the Tree Theatre	$34,204
Shedd Institute for the Arts	$200,094
The Siren Theater	$22,405
Stage 722	$97,516
Star Theater	$81,646
Theatre in the Grove	$14,051
Tower Theatre (Bend)	$186,694
Vault Theater (Bag and Baggage)	$33,862
Volcanic Theatre	$27,397
White Eagle	$63,175
Whiteside Theatre	$20,127
Wildish Community Theater	$32,564
Wonder Ballroom	$147,309
WOW Hall/Community Center for the Performing Arts	$41,393

A General Fund appropriation of $1 million was also included in SB 5506 for a grant to Literary Arts, Inc. to fund a portion of a $12 million renovation of the organization's newly purchased 14,000 square foot headquarters in Portland. In addition, HB 5030 authorized the issuance of lottery revenue bonds to produce a net $3 million to fund a grant to the Native Arts and Cultural Foundation for renovations to the Center for Native Arts and Cultures. Increased Other Funds expenditure limitation of $3 million was approved for the Cultural Resources Economic Fund for the distribution of the grant.

The 2023-25 legislatively adopted budget also reestablished Other Funds expenditure limitation totaling $9.1 million for the Oregon Arts and Cultural Trust, for the distribution of the following grants funded by lottery revenue bond proceeds:

- $2 million for the Artists Repertory Theatre
- $1.6 million for the Jon G. Shedd Institute for the Arts
- $1.25 million for the Chehalem Cultural Center - Performing Arts Wing
- 1 million for the Portland Art Museum - Rothko Pavilion

- $750,000 for the Maxville Heritage Interpretive Center - Preservation of Maxville Townsite
- $750,000 for the Siletz Tribal Arts and Heritage Society
- $600,000 for the Josephy Center for Arts and Culture
- $600,000 for the Little Theatre on the Bay - Liberty Theatre Expansion
- $304,378 for the Columbia River Maritime Museum - Lightship Columbia Preservation
- $295,000 for the Eastern Oregon Regional Theatre - Baker Orpheum Theatre Restoration

The bonds supporting these projects were authorized in the prior biennium but were not issued until late in the 2021-23 biennium and therefore funding was not able to be distributed until 2023-25.

Lottery and General Obligation Bond Debt Service

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	54,470,249	73,090,081	90,722,590	101,603,204
Lottery Funds	45,764,617	42,813,235	47,504,550	49,886,269
Other Funds	2,735,663	3,418,634	--	1,100,715
Total Funds	**$102,970,529**	**$119,321,950**	**$138,227,140**	**$152,590,188**

<u>Program Description</u>
The Lottery and General Obligation Bond Debt Service program includes debt service payments on all lottery revenue bonds and general obligation bonds that support OBDD programs, and lottery revenue bonds issued to finance legislatively specified projects promoting economic development. Debt service on lottery revenue bonds is paid by Lottery Funds and debt service on general obligation bonds is paid by General Fund. Other Funds, primarily from interest earnings on bond proceeds, may also be used to pay debt service. Debt service on revenue bonds issued through the Oregon Bond Bank is budgeted as Other Funds Nonlimited in the Infrastructure program area.

Prior to the 2013-15 biennium, only lottery revenue bonds were issued for OBDD programs. The 2013-15 legislatively approved budget included Article XI-M and XI-N general obligation bond authorizations for the Seismic Rehabilitation Grant Program, as well as Article XI-Q bond authority for innovation infrastructure. Article XI-M and XI-N bonds have been authorized in each subsequent biennium, but no additional Article XI-Q bonds have been authorized since 2013-15. General obligation bonds authorized for issuance in the 2021-23 biennium to support the Seismic Rehabilitation Grant Program included:

- $100 million under Article XI-M for seismic rehabilitation grants for public school buildings.
- $50 million under Article XI-N for seismic rehabilitation grants for emergency services facilities.

General obligation bonds are anticipated to be issued in March 2024. Anticipated debt service on these bonds in the 2023-25 biennium is $12.65 million General Fund.

Lottery revenue bonds included:

- $50 million for the Child Care Infrastructure Program.
- $30 million for the Special Public Works Fund.
- $20 million to support the Port of Coos Bay Channel Modification.
- $10 million for the Special Public Works - Levee Grant Program Fund.
- $5 million for the City of Aumsville Wastewater System Improvements.

- $5 million for the City of Molalla New Wastewater Treatment Plant.
- $5 million for the Umatilla Electrical Cooperative Association Industrial Site Utility Expansion.
- $4.5 million for the City of Phoenix Industrial Improvements at the South Valley Employment Center.
- $3.8 million for the City of Newport Wastewater Treatment and Conveyance System Replacement.

Of the lottery revenue bonds authorized, roughly half the amount authorized for the Childcare Infrastructure Program and Special Public Works Fund (general) are scheduled to be issued in March 2024, with anticipated debt service payments in 2023-25 of $2.5 million and $1.5 million, respectively. The remaining authorized bonds are not anticipated to be issued until March 2025, resulting in no related debt service payments due in the 2023-25 biennium. Total debt service anticipated in the 2025-27 biennium from the 2023-25 issuance of lottery revenue bonds is $26.1 million.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Lottery and General Obligation Bond Debt Service totals $152.6 million, which is an increase of $33.3 million, or 27.9%, from the 2021-23 legislatively approved budget. The 2023-25 budget includes $101.6 million General Fund to pay debt service on general obligation bonds, which is an increase of $28.5 million, or 39% from 2021-23. In addition to the debt service on currently outstanding bond issuances, this amount includes $12.65 million in additional debt service associated with 2023-25 bond authorizations for the Seismic Rehabilitation Grant Program.

The adopted budget also includes $49.9 million Lottery Funds for debt service payments on previously issued lottery bonds, and for new bonds authorized in the 2021-23 biennium. This is an increase of 16.5% from the 2021-23 biennium. Additionally, Other Funds expenditure limitation of $1.1 million allows the agency to use interest earnings on bond proceeds for the payment of debt service obligations in place of new funding.

EMPLOYMENT DEPARTMENT

Analyst: Deister

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	8,227,171	48,765,505	--	5,767,819
Other Funds	194,831,829	310,661,087	349,842,882	412,010,052
Other Funds (NL)	2,779,417,760	5,058,847,795	2,620,819,560	2,620,819,560
Federal Funds	236,771,214	285,599,469	167,807,824	176,466,400
Federal Funds (NL)	7,519,122,177	1,381,179,119	69,308,000	69,308,000
Total Funds	**$10,738,370,151**	**$7,085,052,975**	**$3,207,778,266**	**3,284,371,831**
Positions	2,577	3,304	1,762	2,009
FTE	1,953.11	2,253.62	1,741.61	1,945.16

Overview

The Oregon Employment Department (OED) offers services in the following program areas:

- Unemployment Insurance (UI) provides wage replacement income to workers who are unemployed through no fault of their own.
- Workforce Operations offers job listing and referrals services and career development resources.
- Workforce and Economic Research (Research) coordinates the collection and dissemination of occupational and economic climate data for the state, workforce regions, and counties.
- Paid Leave Oregon, created through HB 2005 (2019), is currently being implemented, and will provide eligible employees with a portion of wage replacement when the employee is on family or medical leave.

In addition, OED provides administrative support to the independent Office of Administrative Hearings (OAH), which conducts contested case hearings for approximately 70 state agencies. The agency's Shared Services budget encompasses the following: Office of the Director of the Employment Department; information technology services; administrative business services such as budgeting, accounting, procurement, and facilities; legislative affairs; communications; and human resources functions.

The Contributions and Recovery division ensures appropriate payment, customer service, and fraud detection and prevention services for both the Unemployment Insurance and Paid Leave Oregon programs. The Modernization program allows the monitoring of planning and execution costs related to modernizing the Employment Department's aging information technology systems and business process infrastructure. Modernizing these systems and processes is expected to be a multi-year endeavor, and expenditures pertaining to this effort support managing budget and position authority devoted to the project.

The Employment Department began collecting contributions for Paid Leave Oregon on January 1, 2023, and began evaluating claims and paying benefits in September 2023. Funding appropriated to OED for start-up expenses of the program was repaid, and for the 2023-25 biennium and forward, the program is supported by Other Funds. This revenue consists of 1% of a covered employee's salary, paid 60% by the employee and 40% by the employer.

Revenue Sources and Relationships

The Employment Department's revenue sources include both Federal and Other Fund sources, and several of these sources are expended across multiple divisions in the Employment Department. What immediately follows is a summary of the revenue expected to be received by OED in the 2023-25 biennium; the amounts expended will be subsequently be discussed in each OED division section later in this document.

Sources of Other Funds revenues include:

- Oregon UI Trust Fund – $2.8 billion is estimated to be available to pay benefits in 2023-25. These funds are designated for unemployment insurance compensation payments to qualified individuals and are budgeted as nonlimited.
- Special Administrative Fund – Also called Penalty and Interest Revenue, OED receives revenue from penalties and interest on delinquent payment of employer taxes. These funds are designated for administrative expenses or other needs as determined by the OED director. For the 2023-25 biennium, the Department expects to have $37.1 million available, based on $24 million of estimated new revenue and $13.1 million of estimated carryover from 2021-23.
- Supplemental Employment Department Administrative Fund (SEDAF) – SEDAF is funded by a 0.09% unemployment tax diversion from employer Unemployment Insurance payroll taxes to fund OED administrative expenses. OED assumes the diversion will generate $124 million, which supplements an estimated $10.4 million carried over from 2021-23. All SEDAF monies are continuously appropriated for the payment of administrative expenses for which federal funding has been reduced, eliminated, or is otherwise not available. This estimate assumes no increase in the rate of diversion.
- Fraud Control Fund – This fund is supported by interest earnings on delinquent repayments of UI benefit overpayments and used for costs associated with the prevention, discovery, and collection of those overpayments. In 2023-25, OED projects $5.8 million in interest collections and penalties, supplementing an estimated $7.7 million in carryover from 2021-23.
- Unemployment Insurance Modernization Funds – OED received one-time revenue of $85.6 million in 2009 as a result of adopting several changes to the UI program, including an alternative base year calculation for unemployment insurance benefits. The money can only be used for expenditures relating to UI and Employment Services administration. The funds are held in the UI Trust Fund and expended as Other Funds. As of June 30, 2023, the balance of these funds was projected at $69.4 million.
- Supplemental Nutritional Assistance Program (SNAP) Employment and Training Funds – These funds are transferred to OED from the Department of Human Services, which receives a grant from U.S. Department of Health and Human Services. OED is one of several partners that are reimbursed, in whole or in part depending on the program, for employment and training services provided to SNAP recipients. The legislatively adopted budget includes $35.4 million in revenue related to SNAP services and fees for services provided to the Rogue Workforce Partnership.
- PLO Revenue – The projected employer and employee collections for the PLO program for the 2023-25 biennium totals $1.8 billion, dedicated to paying program benefits and administrative expenses. Interest and fee revenue is projected to generate another $7 million.

OED also receives Other Funds revenue from other state agencies as reimbursement for providing job placement and custom research services. The Office of Administrative Hearings charges for its conducted case hearings service.

Sources of Federal Funds revenue include:

- Unemployment Insurance Administrative Grant – Employer payroll taxes are collected by the Internal Revenue Service under authority of the Federal Unemployment Tax Act (FUTA) and used to finance the bulk of the administration of the UI program. Distribution to states is based on a complex cost formula incorporating economic data and forecasts, UI workload and spending history, and federal appropriation levels. UI Administrative Grant funds may only be used to pay for administration of the UI program. The Employment Department anticipates $140 million will be distributed by the U.S. Department of Labor for the 2023-25 biennium.
- Reemployment Services and Eligibility Assessment Program – The U.S. Department of Labor provides funding specifically for the review of UI claimant eligibility, for the provision of their reemployment plans,

and for the distribution of labor market information to UI claimants. The amount of funding expected to be available to the agency in 2023-25 is $13.1 million.

- Wagner-Peyser – $17.2 million is expected for Business and Employment Services provided by the Workforce Operations and Research division under the Wagner-Peyser Act.
- The Trade Adjustment Act funds training and case management services for displaced workers. In 2023-25, $26.7 million is anticipated from this source.
- Estimates of funding for federal unemployment insurance benefits – OED estimates revenue available to support payments to federal workers and trade impacted workers of $92.9 million in 2023-25.
- Bureau of Labor Statistics funding for workforce and economic research is anticipated to be $3.3 million in 2023-25.
- Workforce Information Grant funds are provided for investing in research and distributing labor market information. An estimated $1.1 million is anticipated for 2023-25.
- The U.S. Department of Labor provides a federal tax credit, known as the Work Opportunity Tax Credit, to employers that hire employees from certain target populations. The Employment Department expects to receive $520,930 from the U.S. Department of Labor to administer this program in 2023-25.
- Foreign Labor Certification Grant funds are anticipated at $807,720.
- Federal funding for veterans' job placement services is assumed to be $8.2 million for the 2023-25 biennium.

General Fund was appropriated for start-up costs associated with the PLO program in the 2019-21 and 2021-23 biennia. These appropriations totaled $57.6 million; of this amount, $42.2 million was spent and repaid (interest free) in July of 2023. General Fund for the 2023-25 biennium was appropriated to fund elevated fraud prevention and control efforts, at a level assumed to be sufficient through March of 2024. The Employment Department plans to have legislation introduced in 2024 that will increase the diversion of employer UI taxes to the Supplemental Employment Department Administrative Fund, sufficient to fund these activities for the remainder of the 2023-25 biennium.

Budget Environment

The economy directly affects OED's funding, policy decisions, and workload. For instance, during times of economic recession, high unemployment rates increase the number of clients served through unemployment insurance payments and employment services in field offices. The COVID-19 pandemic severely affected OED. Statewide closures in the spring of 2020 driven by the public health emergency created an unprecedented and immediate spike in unemployment benefit applications, and federal legislation created new programs with supplemental assistance amounts and rules, along with an entirely new class of eligible applicants – those who were self-employed or contract workers.

Along with elevated claims came elevated levels of unemployment insurance fraud, and an increase in the number of administrative hearing requests related to benefit determinations. OED has worked through the backlog of claims and hearings but is still trying to identify fraudulent claims and recover funds from this period. Federal funding for administering the UI system has continued to dwindle in the face of low unemployment and a relatively strong state and national economy; however, the most complicated claims and repayment efforts from this period have driven up UI administrative costs. In 2024, OED will be seeking legislation to increase the diversion of employer taxes that OED is authorized to utilize to cover its agency operating expenses.

The Paid Leave Oregon Insurance division was created within OED to take on the task of creating the PLO program for Oregon workers and employers. OED determined that since the program will share many of the same customers and functions with the state's unemployment insurance program, economies of scale could be realized if PLO technology requirements could be incorporated – though funded separately – alongside the unemployment insurance tax and benefit system that was already under development. PLO contributions began in January 2023 and benefits are being paid as of September 2023. The roll out for this program has been smooth and bodes well for the UI benefit system updates scheduled to go live in March 2024. OED created the new Contributions and Recovery Division to provide consistent and streamlined customer service for Oregonians paying into both the UI and Paid Leave systems, and to provide for economies of scale in fraud prevention and detection efforts. The programs have separate funding streams, and the agency has implemented accounting, coding, and reporting methodologies to ensure that cross-trained employees appropriately account for their work for the respective programs.

The Department is a member of the Interagency Compliance Network. Member agencies share wage, tax, and reporting information towards improving employers' and workers' compliance with Oregon tax and employment laws. Other agency members include the Bureau of Labor and Industries, Construction Contractors Board, Department of Consumer and Business Services, Department of Justice, Department of Revenue, and the Landscape Contractors Board.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Employment Department totals $3.3 billion and includes 2,009 positions (1,945.16 FTE). The budget is a $3.8 billion, or 53.6%, decrease from the 2021-23 legislatively approved budget. This decrease is due to fewer projected claims in 2023-25 compared to 2021-23, and resolution of backlogs in complicated claims and contested eligibility determinations which originated during the COVID-19 pandemic.

The 2023-25 budget includes adjustments common to all agencies for state government service charges and attorney general rate changes. Positions were moved from the UI, Shared Services, and PLO divisions to the new Contributions and Recovery Division that focuses employer tax contributions for both the UI and PLO programs. Position reclassifications were approved across multiple divisions to enable the Employment Department to better utilize existing position authority; agencywide, the position reclassifications and realignments resulted in a net increase of $152,496 total funds. Long-term vacancies were eliminated to balance revenue with available expenditures and for making investments in customer service and process improvements.

Unemployment Insurance

	2019-21 Actuals	**2021-23 Legislatively Approved**	**2023-25 Current Service Level**	**2023-25 Legislatively Adopted**
General Fund	--	--	--	$5,594,111
Other Funds	61,736,926	63,425,768	69,910,667	62,724,369
Federal Funds	171,513,181	206,344,489	76,675,798	50,371,760
Total Funds	**$233,250,107**	**$269,770,257**	**$146,586,465**	**$118,690,240**
Positions	1,626	1,956	524	465
FTE	1,074.63	1,149.61	505.23	406.15

Program Description

The Unemployment Insurance (UI) program determines eligibility for benefits, processes benefit payments, enforces UI laws, and supports the Employment Appeals Board (EAB). EAB, made up of three Governor-appointed members, is a separate entity located within OED for administrative purposes and is responsible for reviewing decisions of the Office of Administrative Hearings on UI benefit cases.

Revenue Sources and Relationships

The 2023-25 legislatively adopted budget projects expenditures of Federal Funds to support the UI program from the UI administrative grant. Sources of Other Funds revenue include a portion of SEDAF, Special Administrative Funding, and Fraud Control funds.

Budget Environment
While Oregon has recovered in terms of total employment since the COVID-19 pandemic, the Unemployment Insurance (UI) division experienced a "tail" of complicated claims requiring investigation, and fraud recovery related to claims initiated between 2020-2021.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Unemployment Insurance program totals $118.7 million and includes 465 positions (406.15 FTE). The budget is a $151.1 million, or 56%, decrease from the 2021-23 legislatively approved level. Budget adjustments from the current service level consisted of the following:

- Reductions in Other Funds expenditure limitation to reflect a decrease in federal funding for UI administrative functions totaling $3 million.
- A transfer of 116 positions (115.50 FTE) and associated expenditure limitation from the UI division to Contributions and Recovery to more efficiently receive, track, and respond to UI and PLO contributions.
- Federal Funds expenditure limitation of $998,658 and 13 limited duration positions associated with receipt of a grant to ensure that under-represented communities are accessing their UI benefits.
- Reclassifications to better utilize existing position authority and expenditure limitation within the agency.
- The addition of 10 positions (10.00 FTE) and $3.5 million total funds to monitor and analyze workforce data, and formulate effective, timely responses to emerging issues with claims, technology, communications, and customer service.
- Elimination of 33 positions and $5.6 million in associated expenditure limitation to balance available revenue with expenditures, and provide capacity for the agency to invest in the data analytics and customer service initiatives mentioned above.
- The addition of one position (1.00 FTE) and $246,700 in total funds expenditure limitation to manage equity and inclusion efforts for staff, and customer accessibility to Employment Department services.
- A $5.6 million one-time General Fund appropriation to support 70 limited duration positions (26.25 FTE) associated with workload requirements generated by the U.S. Department of Labor and legal settlements for timeliness and access to information, through the passage of HB 5049. The General Fund is sufficient to support the positions through the third quarter of the biennium. A permanent source of funding will need to be identified fund these positions as permanent.

Contributions and Recovery

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	--	--	--	12,697,862
Federal Funds	--	--	--	19,935,236
Total Funds	**--**	**--**	**--**	**$32,633,098**
Positions	--	--	--	146
FTE	--	--	--	145.50

Program Description
The Contributions and Recovery Division provides services to two distinct programs: the UI program and the Paid Leave Oregon program. This combined service model is intended to foster consistent, customer-centric policies, procedures, rules and assistance for contributing employers. Employees in the former UI Tax section have transferred to this program, and additional staff were added to provide capacity for workload generated by the Paid Leave Oregon program.

Revenue Sources and Relationships
Employer and employee contributions support a portion of administrative expenses related to Paid Leave, and UI administrative grant funding, SEDAF, Special Administrative Funding and Fraud Control funds support UI-related work.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Contributions and Recovery Division is $32.6 million total funds and 146 positions (145.50 FTE).

Shared Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	14,431,680	--	173,708
Other Funds	21,806,814	18,201,429	34,590,926	34,685,793
Federal Funds	33,818,011	37,846,432	34,697,303	33,342,591
Total Funds	**$55,624,825**	**$70,479,541**	**$69,228,229**	**$68,202,092**
Positions	201	229	190	196
FTE	167.23	207.37	189.50	193.63

Program Description
The Shared Services budget structure was created in 2017 and includes the Office of the Director of the Department (including Internal Audit); Information and Technology services; Administrative and Business Support (budgeting, accounting, safety/risk, facilities, and procurement); Legislative Affairs; Communications; and Human Resources.

Revenue Sources and Relationships
This program is almost entirely funded with Other Funds and Federal Funds, with actual expenditures charged directly to benefitting program funding sources and indirect expenditures allocated pursuant to an approved U.S. Department of Labor cost allocation plan. Other Funds utilized in the program are primarily from SEDAF or penalty and interest revenue. An administrative allowance related to SNAP funding is also used for Shared Services. A General Fund appropriation supports elevated fraud prevention and control efforts at a level assumed to be sufficient through March 2024, with the assumption an ongoing source of revenue will be identified and approved in the 2024 regular legislative session.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Shared Services totals $68.2 million and includes 196 positions (193.63 FTE). The budget is a $2.3 million, or 3.2%, decrease from the 2021-23 legislatively approved budget. The budget includes additional expenditure limitation and one limited duration position to accommodate receipt of federal grant funding for identifying and removing barriers to UI program access by historically underrepresented populations. Other Funds expenditure limitation and 12 permanent full-time positions were also included to augment project management, information systems reporting and data analytics, public records requests, data security, workload forecasting, payroll reporting, budgeting and financial reporting, and equity and inclusion policies and initiatives. A permanent, full-time Public Affairs Specialist was added to produce materials and facilitate access to information about OED services. Reclassifications of two positions were approved to allow OED to utilize existing position authority to meet evolving needs. Additionally, the budget includes the elimination of eight long-term vacant positions (8.00 FTE) for Other Funds and Federal Funds savings of $2.1 million, and a reduction of $2.7 million and two positions (2.00 FTE) to reflect savings primarily associated with no longer having to maintain a mainframe tax and benefits system by the end of the biennium.

Workforce Operations

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	67,260,452	97,144,001	95,817,708	96,383,658
Federal Funds	25,583,613	57,743,807	47,546,193	63,692,447
Total Funds	**$92,844,065**	**$154,887,808**	**$143,363,901**	**$160,076,105**
Positions	486	562	524	568
FTE	483.24	554.36	524.00	568.00

Program Description
The Workforce Operations program supports businesses and promotes employment. Services are provided through field offices which recruit and refer qualified applicants to employers by matching the skills of the job seeker with employer job openings. Job seekers and employers can also access employment information through interactive job services on OED's website. OED coordinates services with other partners to help customers access training, skills assessment counseling, and employability planning. The division operates 37 regional WorkSource Oregon centers located throughout the state, often co-locating with other partners, including the Department of Human Services, Veterans Administration, and local Workforce Investment and Training entities.

Revenue Sources and Relationships
Other Funds account for 60.2% of the Workforce Operation's program revenue. The primary source of Other Funds is from SEDAF. SNAP Employment and Training Funds and contracted services support $35.4 million of total Other Funds expenditures, which represent services to those clients. The primary source of Federal Funds supporting the Workforce Operations program is $24.5 million of Trade Act funds, followed by $11.4 million of Reemployment Services and Eligibility Assessment funding, $15 million of Wagner-Peyser funds, and $7.7 million of funds for veterans programs. The Workforce Opportunity Tax Credit supports $500,390 of program expenditures, and Foreign Labor Certification comprises $767,720.

Budget Environment
During the pandemic, WorkSource Oregon centers were closed to in-person visits. The agency shifted to virtual service delivery, utilizing drive-through job fairs, virtual hiring events, and virtual workshops in multiple languages for job seekers. The division now has a hybrid service model to allow both in-person and remote alternatives to many of its services, with the goal of ensuring availability, accessibility, and equity for all customers.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Workforce Operations totals $160.1 million and includes 568 positions (568.00 FTE). The budget is a $5.2 million, or 3.2%, increase from the 2021-23 legislatively approved budget. OED continues to be an effective partner to other state agencies looking to place clients in jobs and training programs. Other Funds expenditure limitation of $10.7 million, and 23 permanent positions were approved to assist the Department of Human Services with job placement for clients in the SNAP State Training and Employment Program (STEP) and Able-Bodied Adults Without Dependents (ABAWD) program, which are assumed to be ongoing. Another $5.3 million in Other Funds expenditure limitation and seven permanent and nine limited duration positions were approved for workforce related program services provided under contract with Rogue Workforce Partnership, serving adults, dislocated workers, and individuals displaced by wildfires.

Federal Funds expenditure limitation increased by $1.3 million and five permanent positions (5.00 FTE), reflecting new workloads associated with federal program changes and requirements. The U.S. Department of Labor is requiring year-round outreach to migrant and seasonal farmworkers (1.00 FTE), and additional participation by claimants in the Reemployment Eligibility and Assessment program resulted in the addition of two positions. In addition, two permanent positions are funded by the Trade Readjustment Assistance Program, improving customer service and focusing on modernizing case management. Position reclassifications were also approved to support additional workload volume and additional management responsibilities within existing position authority. Federal Funds expenditure limitation was increased by $9.6 million and Other Funds expenditure limitation was decreased by a corresponding amount to reflect the shifting costs to federal contracts or grant sources where appropriate; in most instances, the Trade Adjustment Assistance Formula funding will be utilized in place of SEDAF or fee-for-service funds.

Office of Administrative Hearings

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	23,974,246	35,773,080	39,851,798	39,740,818
Total Funds	**$23,974,246**	**$35,773,080**	**$39,851,798**	**$39,740,818**
Positions	107	126	121	121
FTE	103.56	112.80	119.88	119.88

Program Description

The Office of Administrative Hearings (OAH) is an independent entity directed by a Chief Administrative Law Judge who is appointed by the Governor. The program's mission is to be an independent and impartial forum for citizens and businesses to adjudicate their disputes with state agencies. Approximately 70 state agencies utilize the services of the Office of Administrative Hearings for their contested case proceedings. Costs for the program are driven by the volume of hearings referred by agencies and the complexity of the issues involved. Administrative support to the OAH is provided by the Employment Department.

Revenue Sources and Relationships

The OAH is funded by the agencies which refer cases for hearing. The OAH charges fees in an amount calculated to recover the cost of providing an administrative law judge, conducting the hearing, and all associated administrative expenses. For larger agencies, the amount charged is based on the actual use of OAH services; for smaller agencies, the OAH utilizes a billing rate structure.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the OAH totals $39.7 million Other Funds and includes 121 positions (119.88 FTE). The budget is a $4 million, or 11.1%, increase from the 2021-23 legislatively approved budget. Positions and Other Funds expenditure limitation reflect projected caseloads and hearings provided on behalf of the PLO program.

Workforce and Economic Research

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	7,393,234	8,029,775	8,420,183	8,390,673
Federal Funds	5,856,409	8,664,741	8,888,530	8,882,366
Total Funds	**$13,249,643**	**$16,694,516**	**$17,308,713**	**$17,273,039**
Positions	53	52	52	52
FTE	53.00	52.00	52.00	52.00

Program Description

The Workforce and Economic Research Division coordinates the collection and dissemination of occupational and labor force data for the state, workforce regions, and counties, and is Oregon's designated employment statistics agency under the federal Workforce Innovation and Opportunity Act. Data can be accessed through monthly and annual publications such as *Labor Trends*, which outlines payroll, unemployment, and other economic-related issues by workforce region, or through online resources such as QualityInfo.org and the Oregon Labor Market

Information System. The program also conducts specialized employment surveys mandated by the U.S. Bureau of Labor Statistics, and responds to requests from local workforce investment boards, private businesses, and industry consortiums.

Revenue Sources and Relationships

The Workforce and Economic Research Division is funded with a mix of Federal Funds and Other Funds. Revenue sources include Federal Funds from the U. S. Department of Labor, Bureau of Labor Statistics grant funding, and a Workforce Information grant. Other Funds revenue is available from SEDAF funds and contracts for customized analysis.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Workforce and Economic Research Division totals $17.3 million and includes 52 positions (52.00 FTE). The budget is a $578,523, or 3.5%, increase from the 2021-23 legislatively approved budget. The budget includes the reclassification of one position in the division to allow for more effective use of existing position authority.

Modernization Initiative

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	2,015,484	--	--
Other Funds	12,660,157	55,231,798	34,859,183	68,854,014
Federal Funds	--	--	--	242,000
Total Funds	**$12,660,157**	**$57,247,282**	**$34,859,183**	**$69,096,014**
Positions	71	78	78	78
FTE	50.63	78.00	78.00	78.00

Program Description

The Employment Department began steps to modernize its information systems and business processes in 2015-17. Existing systems were originally designed in the 1990s and did not incorporate web-based applications until later. The age of systems, modifications over time, and complex interdependencies between OED divisions and other agencies have contributed to a computing environment that is difficult to modify to meet changing demands, compatibility problems, manual processes, and increasing costs of maintenance and support as vendor support phases out and employees retire. Security concerns, web-based platforms, and customer service expectations are also driving the need for a modernized system. The need was underscored when OED systems were overwhelmed by new programs, eligibility parameters, and applicant volumes due to temporary business closures resulting from COVID-19 in the spring and summer of 2020.

Authorization to begin planning and $4 million in associated expenditure limitation was first approved by the 2015 Legislature. However, by April 2017, the Employment Department had utilized only $1.4 million associated with the project. New leadership within the agency prompted a careful look at the 2015-17 project plans and what could be reasonably and successfully accomplished during the remainder of the 2015-17 biennium and during the 2017-19 biennium. Planning efforts related to the replacement of Unemployment Insurance-related systems gained momentum in the 2017-19 legislatively approved budget. In that biennium, OED created a separate administrative division to manage and track these efforts.

In the 2019-21 biennium, the primary project focus was on the following: developing baselines for project scope, schedule, and budget; initializing change management activities; hiring program and project staff; releasing a request for proposal; selecting a vendor; and awarding the contract. The team also determined that customers and programs were similar enough that economies of scale and a better experience for the public users of the system could be gained if the PLO program technology solution could be designed and potentially incorporated into the modernization effort. The PLO contributions and benefits side of a modernized system was implemented in 2023 with very few problems; the UI Benefits go-live date is projected for the spring of 2024. The division is currently in the planning phase for the next IT system overhaul, which is for Workforce Operations.

Revenue Sources and Relationships
Core business and systems modernization efforts are supported by one-time revenue in the amount of $85.6 million that OED received during June and July of 2009, and is referred to as UI Modernization Funds. As of June 30, 2023, a balance of $69.4 million remained. These dollars can be used for agency administration, but rather than expending them on ongoing day-to-day operating expenses, OED has earmarked these dollars for efforts associated with upgrading and modernizing its business systems and processes. Analysis of system requirements and mapping of processes will not begin in earnest until UI systems have been procured and tested in anticipation of deployment.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Modernization Initiative totals $69.1 million and includes 78 positions (78.00 FTE). The budget is a $11.8 million, or 20.7%, increase from the 2021-23 legislatively approved budget. In addition to current service level changes, the budget includes $33.2 million Other Funds that will be spent over the course of the biennium on testing, vendor services, and licensing agreements for FRANCES, the PLO/UI system. Additional Other Funds expenditure limitation of $1.2 million was approved to enable OED to support planning and business case for modernizing Workforce Operations systems. These activities are not expected to begin in earnest until UI benefits management under FRANCES is tested and deployed.

Paid Leave Oregon

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	8,227,171	32,318,341	--	--
Other Funds	--	7,855,236	$66,392,417	88,532,865
Total Funds	**$8,227,171**	**$40,173,577**	**$66,392,417**	**$88,532,865**
Positions	33	301	273	383
FTE	20.82	99.48	273.00	383.00

The passage of HB 2005 (2019) resulted in the creation of the Paid Leave Oregon (PLO) program to provide employees who are eligible for coverage with a portion of their wages while the employee is on family or medical leave. The program is to be administered by OED or a third-party contract with OED and will provide compensated time off from work in specific circumstances including arrival of a child through birth, adoption, or foster care; care of a family member with a serious health condition; recovery of their own serious health condition; or for safe leave. HB 3398 (2021) updated the operative dates established in HB 2005 with the following deadlines: September 1, 2022 for the adoption of administrative rules; January 1, 2023 to begin collecting contributions; September 3, 2023 for providing employer assistance grants for small employers; and September 3, 2023 to begin making benefit payments.

Revenue Sources and Relationships
The Legislature provided General Fund appropriations in previous biennia to cover start-up costs for establishing the PLO program. OED has repaid a total $42.2 million in General Fund start-up costs and the program is now supported entirely by employer and employee contributions, which total 1% of payroll, split between employee (60%) and employer (40%) contributions.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Paid Leave Oregon totals $88.5 million Other Funds and includes 383 positions (383.00 FTE). The budget is a $48.4 million, or 120.4%, increase from the 2021-23 legislatively approved level, and assumes a fully staffed division to meet demands for benefit eligibility. The budget includes an

additional 110 Compliance Specialist 1 positions to accommodate benefit and overpayment determinations. Thirty-six previously approved administrative and technical support positions were moved from PLO to the Contributions and Recovery Division, and three position reclassifications were approved.

Paid Leave Oregon Trust Fund Nonlimited

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds (NL)	--	--	1,712,030,560	1,712,030,560
Total Funds	**--**	**--**	**$1,712,030,560**	**$1,712,030,560**

Program Description
This program unit consists of Paid Leave Oregon contributions received from employers and employees. Interest earned on the account accrues into the Trust Fund, as do penalties and interest related to underpayment of contributions from employers, and overpayment of benefits. Funds are transferred from the Trust Fund to pay for benefits and administrative expenses of the PLO program.

Budget Environment
The PLO Trust Fund is budgeted as Other Funds Nonlimited. As of October 28, 2023, the PLO program had approved 20,841 applications for benefits, paying $45.9 million. Program utilization has been within actuarial estimates, both for revenue received (an estimated $430 million received compared to $417 million forecasted) and benefits estimated to be paid (an estimated $197 million in benefits paid vs. $204 million in benefits forecasted) through October 31, 2023.

Legislatively Adopted Budget
The legislatively adopted budget for the 2023-25 biennium for the Paid Leave Oregon Trust Fund is $1.7 billion; this marks the first biennium in which benefits for the program will be paid.

Employment Department - Nonlimited

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds (NL)	2,779,417,760	5,058,847,795	908,789,000	908,789,000
Federal Funds (NL)	7,519,122,177	1,381,179,119	69,308,000	69,308,000
Total Funds	**$10,298,539,937**	**$6,440,026,914**	**$978,097,000**	**$978,097,000**

Program Description
The Employment Department's Nonlimited budget structure supports payments associated with the Unemployment Insurance and Workforce Operations' Business and Employment Services programs. These payments include unemployment benefits and certain benefits for federal training programs, such as the federal Trade Adjustment Assistance Program.

Budget Environment
Oregon's UI system is funded through a counter-cyclical strategy of raising revenue from employers when the economy is strong. Employer premiums are set by statute and adjusted annually so that sufficient reserves are on hand to meet increased benefit payment obligations during economic downturns while seeking to minimize increases to employer contributions. Unlike other states with a "pay-as-you-go" UI system, Oregon's employers are more insulated from sharp increases in premiums and the risk for UI trust fund insolvency is minimized. OED updates its employment and economic forecasts quarterly, and many factors – such as interest rates, and national and global events – can influence economic projections and business performance over the course of the biennium.

Nearly 93% of this budget is comprised of Other Funds Nonlimited, with the remaining amount budgeted as Federal Funds Nonlimited. Benefit payments to federal employees are budgeted as Federal Funds Nonlimited since these payments are paid by federal, not state, UI taxes.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Department's Nonlimited budget structure totals $978.1 million. The budget is a $5.2 billion, or 84.1%, decrease from the 2021-23 legislatively approved budget, which reflects a strong economy and employment environment compared to the high unemployment levels experienced during the COVID-19 pandemic.

HOUSING AND COMMUNITY SERVICES DEPARTMENT

Analyst: Deister

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	326,583,557	920,486,278	192,202,324	618,327,930
Lottery Funds	21,752,234	25,217,810	28,443,620	30,569,883
Other Funds	586,451,142	1,107,774,136	504,140,287	1,306,192,861
Other Funds (NL)	649,881,602	926,685,282	882,849,056	882,849,056
Federal Funds	154,519,187	782,245,770	185,664,067	401,941,943
Federal Funds (NL)	150,805,360	176,472,688	185,102,399	185,102,399
Total Funds	**$1,889,993,082**	**$3,938,881,964**	**$1,978,401,753**	**$3,424,984,072**
Positions	252	435	323	470
FTE	219.21	368.51	322.50	459.99

Overview

The Housing and Community Services Department (HCSD) provides financing and program support for the development and preservation of affordable housing to low-income Oregonians, and administers federal and state antipoverty, homeless, and energy assistance programs. Since the 2020 wildfires, HCSD has taken a leading role in housing recovery through the administration of federal disaster relief funding. The Oregon Housing Stability Council, a nine-member panel appointed by the Governor, advises the Governor, Legislature, HCSD, and local governments on affordable housing issues. HCSD utilizes the Community Action Partnership of Oregon, which is an independent association of private, non-profit, and public agencies, as well as culturally responsive and specific service providers, to deliver community-based assistance to low-income Oregonians.

Revenue Sources and Relationships

General Fund is a significant source of support for HCSD's safety net programs and funds administrative costs that cannot be borne by interest earnings or proceeds of bond sales. General Fund also supports debt service payments on general obligation bonds that have been approved for the construction of affordable and permanent supportive housing units. One-time General Fund has also been an important component of HCSD's budget in the past several years. The 2023-25 legislatively adopted budget includes one-time General Fund for strategic investments, including the following: emergency homelessness response; rental assistance; youth homelessness; tribal homeless services; tenant resources; agricultural worker housing; risk mitigation for permanent supportive housing; modular housing; rental housing predevelopment grants and loans; loan guarantees; homeownership development, loans and down payment assistance; and technical assistance and language access to HCSD programs. Several of these initiatives were funded in multi-agency budget packages approved prior to passage of the agency's primary budget bill, SB 5511.

Lottery Funds support debt service payments on bonds issued for wildfire recovery, as well as bonds issued in previous biennia. These bond issuances support the preservation of affordable housing, including manufactured home parks; housing for people with mental health and addiction issues; low-income housing with on-site personal support; and the Community Incentive Program.

HCSD has numerous sources of Other Funds revenue, including fees for service, interest income, lottery bond proceeds, revenue bonds, and loan repayments, that support agency operations and fund grant and loan programs. Major Other Funds revenue streams in 2023-25 include the following:

- Construction excise tax revenue ($1.9 million)
- Proceeds from the sale of bonds ($550 million)

- Mortgage and down payment assistance repayments ($315.9 million)
- Federal Housing and Urban Development (HUD) contract administration fees ($7.1 million)
- Loan, tax credit, and other fees for service ($46.3 million)
- Energy bill payment assistance funding ($42.7 million)
- A portion of the public purpose charge ($47.4 million)
- Interest income from various revenue streams ($3.8 million)
- Special assessments on manufactured dwellings ($1.7 million)

Document recording fees add an estimated $89 million of revenue, including $22.25 million expected to be dedicated to veterans' housing. Lottery bond proceeds are also part of the 2023-25 legislatively adopted budget and are budgeted as Other Funds. The 2023-25 legislatively adopted budget includes lottery bond proceeds of $50 million to fund affordable housing preservation. The Legislature also approved $600 million in Article XI-Q bonds in the 2023 session for the Local Innovation and Fast Track (LIFT) Homeownership program. Cumulatively, general obligation bond sales now total $1.3 billion for affordable housing financing, including funding for the construction of permanent supportive housing units for chronically homeless Oregonians. Permanent Supportive Housing units are distinct because General Fund-supported rental assistance and supportive services payments are attached to them.

In addition to the direct sources of Other Funds revenues, $36.5 million in various General Fund appropriations are transferred to the Oregon Housing Fund and expended as Other Funds in instances where programs necessitate construction, planning, or payment over a longer period of time. Examples of these expenditures include guarantee funding, support for homeownership development opportunities, down payment assistance, predevelopment costs for rental housing construction, special one-time investments for shelter operations and construction, and long-term rental assistance payments for vulnerable youth.

Federal Funds are received primarily as formula grants for weatherization and anti-poverty programs. The largest amounts of Federal Funds in HCSD's budget are attributable to the following:

- Community Services Block Grant for anti-poverty and revitalization initiatives
- HOME tenant-based rental assistance
- Low Income Home Energy Assistance Program
- Emergency Rental Assistance funding from U.S. Treasury
- Emergency Solutions Grant to promote housing stability
- Federal weatherization funding
- HOME funds for housing development
- National Trust Fund for housing development
- Section 8 rental subsidy (Federal Funds Nonlimited)
- Homeowner Assistance Funding
- Neighborhood Stabilization Program foreclosure avoidance funding

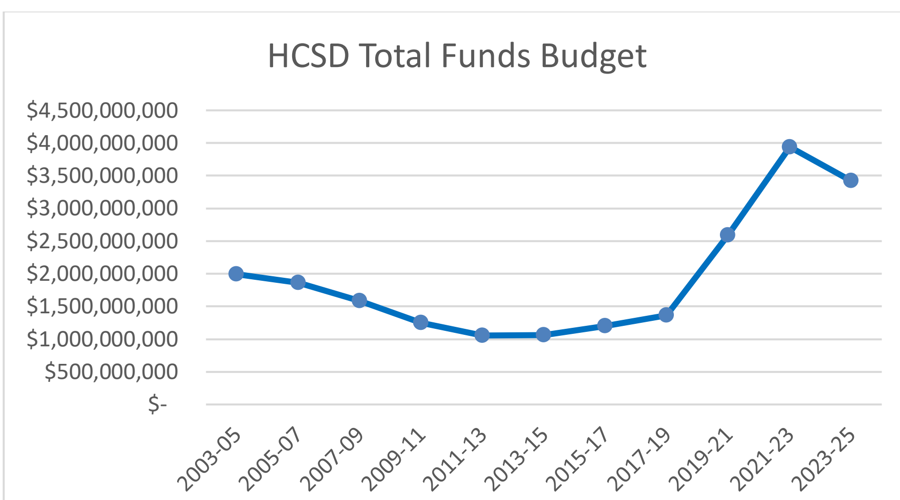
Budget Environment

The budget for the Housing and Community Services Department is primarily influenced by the number of agency staff and programs; housing affordability; homelessness; and disaster-related rehousing efforts. A sharp increase in housing prices and interest rates have impacted affordability and housing stability for low-income Oregonians. Housing affordability continues to be the driving issue for policy and funding considerations in Oregon. Part of this is due to supply, which has been further set back when housing construction came to a near standstill during the previous recession, and in some areas, short term rentals that constrain availability of both homeownership and rental options. Housing is considered affordable if a family spends 30% or less of their income on their rent or mortgage, and roughly 44% of Oregon rental households struggle with affordability, while 20% of homeowners spend more than 30% of their income on their mortgage.

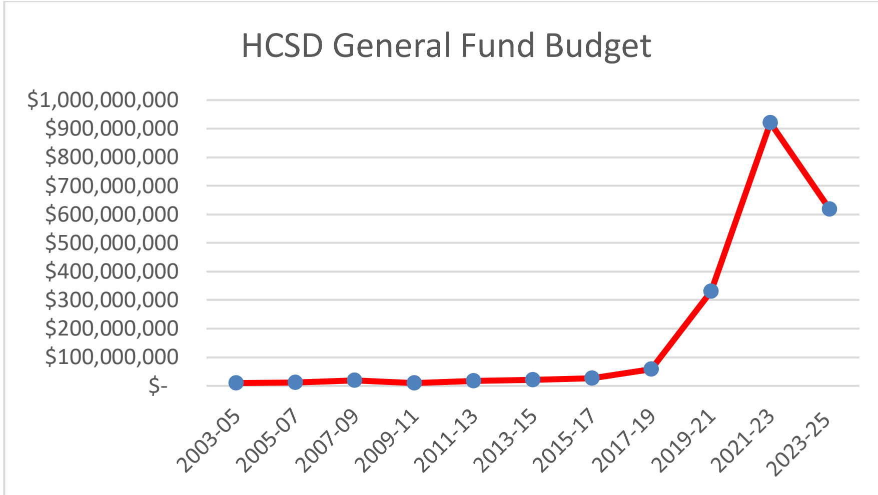
Chronic homelessness continues to be a challenge for local communities and affected individuals and families. The 2022 point in time count reported an estimated 17,912 people who are homeless, with 11,091 of those unsheltered.[1] Between 2020 and 2022, the homeless population increased by an estimated 22.5%, or 3,300 people. According to the National Association on Mental Illness, the percentage of Oregon homeless with mental illness is 16.7%, and some formerly homeless will benefit from supportive services when they are eventually placed in permanent housing. Since 2019, Oregon has focused a share of its financing toward affordable housing with supportive services to keep higher needs populations stably housed. Once occupied, these units require a biennial operating subsidy that totals $20,000 for rental assistance and $25,000 for services, which is funded with General Fund. To stem the growth in homelessness, the Legislature approved a combined net total of $188.9 million in emergency funding packages and legislation aimed at homelessness response and housing production, through HB 5019, HB 2001, and HB 3395.

The Labor Day fires of 2020 caused major displacement in the coast range, Jackson County, along the Santiam River, and the McKenzie River highway. An estimated 4,300 homes were lost. HCSD has taken the lead to formulate and execute intermediate and permanent re-housing strategies, utilizing $61 million General Fund appropriated in 2021-23, $50.8 million in lottery bond proceeds for rehousing efforts, and $422 million in federal Community Development Block Grant Disaster Relief funds. The rollout of assistance provided through HCSD has been slower than hoped, with construction defects affecting manufactured homes purchased for survivors, and the typical multi-year delay between approval of financing for permanent housing and the completion of construction, which in some cases has been exacerbated by contracting difficulties and supply chain shortages.

HCSD's budget has increased by nearly $1.4 billion total funds since the 2003-2005 biennium. The change reflects increases in population growth, economic factors ranging from interest rates and lending environments to recessions (driving the need for additional housing assistance), and an increased focused on the contributions that stable housing can make to health outcomes, educational attainment, and lower levels of crime and recidivism. The following graph shows the change in HCSD's budget over time:

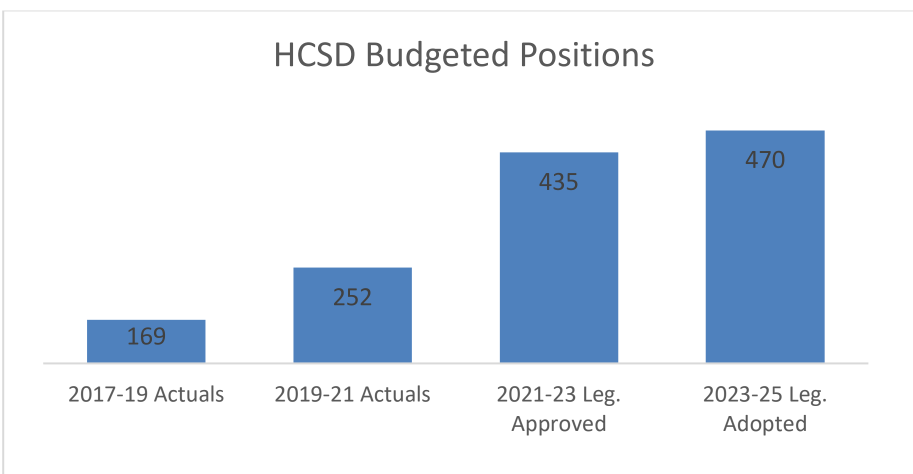


[1] Oregon Housing and Community Services Department, County Profiles Homelessness Data



Beginning in the 2017-19 biennium, General Fund support for the agency began to significantly increase from prior years. This growth corresponds with the Legislature's authorization of general obligation bonds for affordable housing construction, and special programs funded in response to the pandemic, such as rental assistance and landlord funding. Despite the year over year growth in spending through 2021-23, only 45% of the agency's total expenditures for 2023-25 are considered ongoing, or attributable to permanent continuing programs and staffing levels. Most agency expenditures are for one-time programs or targeted temporary increases to service levels in an attempt to influence particular policy-driven outcomes.

Accompanying the growth in dollars is a growth in staffing to plan and administer funding for programs. The agency's staffing level increased significantly over the past two biennia. As of early October 2023, HCSD had an agencywide vacancy rate of 23.6%, with 50% of approved limited duration positions and 25.9% of permanent positions being vacant. Competing for qualified candidates in the current economy has been a challenge. Some of the new employees have no governmental experience and face a learning curve in terms of agency procedures and processes intended to promote transparency and accountability.



The agency's budget bill is currently organized by fund type, rather than program area, which makes it difficult for legislators and the public to discern the level of funding that is adopted or approved for various programs and functions within the agency. As the agency has grown, a more sophisticated and transparent bill structure is necessary to match the growth and relative sophistication of the agency's service delivery. Also important to transparency is a commitment to keep outcome information current and accessible to members of the public and the Legislature, which will aid in the evaluation of the efficacy of agency priorities and state investments. Budget notes adopted by the Legislature in the 2023 session direct the agency to create a new appropriation structure for its 2025-27 budget bill and maintain and update data dashboards or other publicly accessible information that provides specified information on program outcomes.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Housing and Community Services Department totals $3.4 billion, which is a decrease of $513.9 million, or 13%, from the 2021-23 legislatively approved budget. This decrease is due to adjustments approved early in the 2023 session that affected both the 2021-23 biennium (effectively increasing that biennium's budget) and 2023-25 biennium, as well as phase outs of non-recurring expenditures that did not continue in 2023-25.

The following three measures adopted during the 2023 session provided significant funding in the 2023-25 adopted budget to address housing concerns in HSCD and other agencies:

- HB 5019 appropriated a net $128.2 million General Fund to HCSD, $1.6 million to the Department of Emergency Management, and $19.9 million to the Department of Human Services to support the state's response to areas of the state included in the Governor's homelessness emergency declaration (Executive Order 23-02); provide corresponding services to the balance of state; and address youth homelessness. The bill also repurposed $30.6 million from the HCSD budget towards these efforts. The budget bill for HCSD (SB 5511) included additional funding to continue homelessness prevention, rehousing, and shelter efforts in the emergency declaration areas for the remaining 18 months of the 2023-25 biennium.
- HB 2001 created an Oregon Housing Needs Analysis (OHNA) report and production planning tool in the Department of Administrative Services. The measure appropriated $26.1 million General Fund and authorized seven positions (7.00 FTE) in the 2021-23 biennium and $26.2 million General Fund for the 2023-25 biennium to HCSD and the Department of Land Conservation and Development for grants and technical assistance to local governments, and for and the Department of Administrative Services to develop the OHNA. A further $36.8 million General Fund and 15 positions (12.9 FTE) were approved for the 2023-25 biennium for efforts by other agencies to increase housing production, with $21.5 million and five positions (3.89 FTE) directed to HCSD.
- HB 3395 included various housing-related policy provisions, consolidated from multiple policy bills. The provisions were generally associated with new programs or activities that were not assumed as part of the Governor's recommended budget. The measure appropriated $48.5 million General Fund to several agencies, with the following specifically directed to HCSD:
    - $20 million for grants to one or more nonprofit corporations to develop affordable housing loan guarantee funds.
    - $10 million for grants to qualified housing sponsors to develop community housing for agricultural employees.
    - $7.5 million for a grant to match a not-for-profit revolving loan fund intended to augment home purchaser equity accrual.
    - $1 million from Emergency Housing Assistance program funds to support individuals with companion animals.
    - $529,802 and two positions (1.76 FTE) for administrative expenses.

The investments approved in the 2023-25 budget are expected to create 1,011 new shelter beds, rehouse 1,642 formerly homeless, assist 7,000 households through eviction prevention and response activities, and preserve 1,075 units of existing affordable housing. An additional 1,750 affordable rental homes, 383 homes for ownership, and 800 units of permanent supportive housing are made possible through the issuance of $600 million in Article XI-Q bonds, and an additional 460 rental units are expected through the administration of tax credits, conduit bonds, General Housing Account funds, and other sources. Increased down payment assistance and revolving loan funds administered by HCSD are also expected to provide 2,419 home ownership opportunities in 2023-25.

Housing Stabilization

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	124,943,503	307,114,392	46,267,020	374,565,969
Other Funds	182,580,439	247,468,259	116,777,550	129,980,383
Federal Funds	125,366,559	646,391,351	110,220,602	144,392,238
Federal Funds (NL)	150,805,360	--	--	--
Total Funds	**$583,695,861**	**$1,200,974,002**	**$273,265,171**	**$648,938,590**
Positions	39	68	45	66
FTE	32.90	57.49	45.00	65.38

Program Description

The Housing Stabilization Division provides services to very low-income Oregonians to help meet their short-term daily needs. The types of assistance provided include the following:

- Rental Assistance – Includes subsidizing housing costs and, in some cases, developing a self-sufficiency plan to assist individuals with other support, counseling, and training to avoid ongoing reliance on assistance. The Housing Choice Landlord Guarantee program provides payments to landlords if their property is damaged.
- Homeless Assistance – Provides emergency shelter, street outreach, transitional housing, and prevention activities, and some counseling/casework services to homeless individuals or those at risk of becoming homeless. HCSD receives General Fund and Federal Funds, as well as a share of Oregon's Document Recording Fee, for these programs. Most of the Federal Funds for homelessness assistance are provided directly to Continuum of Care providers and directed to not-for-profit organizations for housing, mental health, and other services to address homelessness in rural counties.
- Community Services Block Grant (CSBG) – Funded by the federal Department of Health and Human Services, CSBG serves all 36 Oregon counties, and provides foundation funding for community-based organizations that coordinate and administer a variety of services to assist low-income Oregonians.
- Individual Development Accounts (IDA) – Assists low-income individuals who enroll in personal development plans to obtain appropriate financial counseling, career or business planning, and other services. IDAs can be used for various purposes that help account holders achieve financial stability, including post-secondary education, job training, housing, and transportation, or to capitalize or expand a small business.
- Energy Assistance – State and federal funding for utility bill payment assistance, including the Oregon Energy Assistance Program, which is funded through a meter charge on customers of investor-owned electrical utilities, and Low-Income Home Energy Assistance Program (Federal Funds). Weatherization services receive funding from the U.S. Department of Energy, the Bonneville Power Administration, public purpose charges to rate payers of investor-owned utilities, and Federal Funds associated with the Low-Income Home Energy Assistance Program.

Revenue Sources and Relationships

The majority of General Fund appropriated to HCSD for purposes other than debt service supports this division. Some positions, particularly those associated with Executive Order 23-02, are also supported with General Fund, although the strategies funded to address the issue have not been designated as ongoing in future biennia. Other Funds revenue is primarily derived from the following: public purpose and meter charges for energy assistance programs, and document recording fee revenue for Emergency Housing Account homeless assistance and prevention. Federal Funds primarily support energy assistance payments, housing stabilization services through the HOME Tenant-Based Assistance program, and the Community Services Block Grant program.

Budget Environment
Between 2020 and 2023, HCSD received record levels of funding for rental assistance payments and eviction prevention funding, in response to income interruption related to the COVID-19 pandemic, and rising rent in a constrained housing market. Since then, the state has continued to invest in eviction prevention and diversion to keep residents from falling into homelessness. Rental assistance in previous biennia had been focused on the lowest income Oregonians, and an Emergency Homelessness Response initiative (HB 5019 and SB 5511) passed by the Legislature will provide rental assistance to up to 2,350 formerly homeless individuals.

Funding for Emergency Homelessness Response efforts approved in the 2023-25 budget is not designated as part of current service level for subsequent biennia. Nineteen positions associated with the emergency effort were created as permanent, despite the lack of ongoing funding; a further six permanent positions established to work on general homelessness and prevention, including shelter and facilities capacity and compliance, housing retention, and coordination of housing retention efforts, are also designated as permanent, without an ongoing source of funding identified beyond June 30, 2025.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Housing Stabilization is $648.9 million, which is a $552 million, or 46%, decrease from the 2021-23 legislatively approved budget. The decrease is primarily due to the discontinuation of federal funding for emergency rental assistance that was allocated to Oregon in response to the COVID-19 pandemic. The adopted budget includes the following permanent ongoing General Fund increases:

- $29.9 million, supplemented by $13.1 million Other Funds generated by the Document Recording Fee, for the Emergency Housing Assistance Program, which is anticipated to assist 15,500 households.
- $13.4 million for the State Homeless Assistance Program, which is anticipated to assist 21,000 households.
- $2.2 million for 15 permanent positions associated with administering the emergency homelessness response initiative. These positions were approved as permanent but currently do not have an ongoing funding source after the 2023-25 biennium.
- $1.6 million for the Elderly Rental Assistance Program, which is estimated to assist 1,100 households.
- $787,935 for costs associated with three positions supporting the wildfire response, long term rental assistance for youth, and housing retention.
- $750,647 for the Homeless Management Information System for local capacity funding to support reporting and training.
- $337,910 for the Housing Choice Landlord Guarantee Program.

The following investments received one-time General Fund support in HCSD’s 2023-25 legislatively adopted budget:

- $24.1 million for operating shelters and navigation centers funded in the 2021-23 biennium.
- $81.2 million for eviction prevention and diversion.
- $5.2 million and one limited duration position (0.88 FTE) for Emergency Housing Assistance for youth experiencing homelessness.
- $1 million for Emergency Housing Assistance for people with companion animals.
- $169.6 million for Emergency Homeless Response efforts in areas covered by Executive Order 23-02.
- $26.1 million for Emergency Homeless Response efforts and $1.25 million for administrative costs associated with the Emergency Homeless Response in the balance of state.
- $10 million for tribal homeless assistance serving an estimated 700 households.

- $6 million for tenant resources directed to the Community Alliance of Tenants, Springfield/Eugene Tenants Association, and Oregon Law Center.

Other Funds expenditure limitation decreased by $117.5 million from the 2021-23 legislatively approved budget due to discontinued American Rescue Plan Act funding for rental assistance. Federal Funds expenditure limitation decreased by $532 million, or 82.3%, from 2021-23 due to the phase-out of non-recurring emergency rental assistance and supplemental energy assistance program funding.

Project-Based Rental Assistance

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	13,803,503	22,973,963	20,260,513
Other Funds	--	7,193,415	3,577,312	8,848,328
Federal Funds	--	1,021,932	1,066,983	1,066,976
Federal Funds (NL)	--	176,472,688	185,102,399	185,102,399
Total Funds	**--**	**$198,491,538**	**$212,720,657**	**$215,278,216**
Positions	15	21	17	23
FTE	13.67	18.02	16.50	22.34

Program Description

The Project-Based Rental Assistance Division was created in the 2021-23 biennium to support rental assistance associated with specific housing units rather than awarded to a tenant regardless of where the person lives. Prior to 2021-23, these expenditures were budgeted in other divisions, primarily Multi-Family Rental Housing. The following efforts are included in the division's expenditures:

- HUD contract administration – HCSD serves as a contract administrator for approximately 251 contracts (projects). Activities include subsidy payments to owners, tenant complaint resolution, contract renewals, rent adjustments, onsite management reviews, and technical support to owners, managers, site staff and residents.
- HUD 811 project rental assistance – Resources for this program are awarded to HCSD to set aside units in affordable housing projects whose capital costs are funded through federal Low-Income Housing Tax Credits, Federal HOME funds, or other state, federal and local funding sources. HCSD partners with the Oregon Health Authority and Department of Human Services to identify and refer extremely low-income people with disabilities to HUD 811 units and ensure their access to long-term services and supports.
- Permanent Supportive Housing project based rental assistance – Rental assistance is associated with affordable housing units constructed with some public support and serving persons requiring support to maintain housing, such as those experiencing chronic homelessness.

Revenue Sources and Relationships

Most of the Project-Based Rental Assistance budget consists of Federal Funds Nonlimited revenue from Section 8 rent subsidies, with Federal Funds Limited revenue received for Section 811 project rental assistance. Other Funds revenue is available from fee-for-service payments HCSD receives for inspecting properties on behalf of HUD.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Project-Based Rental Assistance totals $215.3 million, which is a $16.8 million, or 8.5%, increase from the 2021-23 legislatively approved budget. HCSD projects 10,200 households will be served by this program in 2023-25. General Fund is associated with rental assistance on 672 units of permanent supportive housing, which are assumed to be occupied by biennium's end; 458 of these units are attributable to Article XI-Q bonds approved for permanent supportive housing in the 2019-21 biennium.

Multifamily Rental Housing Programs

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	155,437,828	375,283,839	305,743	60,356,212
Other Funds	109,596,586	343,542,262	320,386,085	389,443,356
Other Funds (NL)	3,365,971	900,000	400,000	400,000
Federal Funds	26,323,913	39,274,870	37,840,890	37,840,875
Total Funds	**$294,724,298**	**$759,000,971**	**$358,932,718**	**$488,040,443**
Positions	78	92	87	132
FTE	65.22	89.33	87.00	126.39

Program Description

The Multifamily Rental Housing Program promotes affordable housing development and rehabilitation of existing rental housing through the issuance of tax-exempt bonds, provision of conduit financing and loan programs, and administration of five housing tax credit programs (Agricultural Workforce Housing, Oregon Affordable Housing, Publicly Supported Housing, and two federal low income housing tax credits). Several of the grants and tax credits are allocated through the semi-annual, competitive Notice of Funding Availability. These resources are one part of an often-complex financing plan used by affordable housing developers, typically in conjunction with other resources which may include federal grants, foundation revenue, loans, and private-sector investments.

Revenue Streams and Relationships

Approximately 80% of the budget for Multifamily Rental Housing Programs is funded with Other Funds revenue from Document Recording Fees, a portion of utility rate payments for housing development grants, charges related to the financing of multifamily housing, and charges for asset management and compliance monitoring. Federal Funds revenue is available from HUD for the HOME Investment Partnership Program.

Budget Environment

The Oregon Housing Needs Analysis, released in December of 2022, suggested that Oregon will need to produce more than 500,000 units of housing to meet demand over the next 20 years. Demand for housing is pushing up costs, making what housing exists less affordable, and exacerbating instability and homelessness. HCSD utilizes a combination of grants, loans and tax credits, and faces a constraint on the amount of tax-exempt bonds that can be issued to lower the cost of borrowing to affordable housing developers. These issues are driving demand for General Fund investments in affordable housing development and preservation, which totaled $60.4 million for Multifamily Rental Housing Programs in the 2023-25 legislatively adopted budget.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Multifamily Rental Housing Programs totals $488 million, which is a $271 million, or 35.7%, decrease from the 2021-23 legislatively approved budget. The General Fund budget decreased by $314.9 million, or 83.9%, due to one-time investments approved in the 2021-23 budget that were not carried forward into the 2023-25 biennium. Significant one-time General Fund investments that were made in the previous biennium include funding for the landlord compensation fund, property acquisition, and to bridge gaps in financing due to construction cost increases. The 2023-25 legislatively adopted budget includes the following one-time General Fund investments:

- $20.2 million related to a grant and loan program to promote modular housing production capacity expansion, including $20 million in special payments for grants and loans, $25,000 for contract review and third-party program administration, and a limited duration position to oversee program launch and reporting ($223,366), pursuant to HB 2001.
- $20 million to capitalize an affordable housing loan guarantee program administered by a not-for-profit community development financial institution (per HB 3395).

- $10 million for community-based agricultural worker housing, with an accompanying limited duration position (0.88 FTE) totaling $215,521 General Fund for personal services and services and supplies.
- $9.7 million for predevelopment grants to affordable housing developers, as part of the agency's plan to overhaul its business processes to support the goal of providing awards to projects closer to the point in time at which projects are ready to break ground.

In addition, the budget includes the transfer of $145 million unexpended General Fund from 2021-23 to Other Funds accounts to allow for the continuation of expenditures in the 2023-25 biennium. Predevelopment loan funding of $9.7 million was transferred to Other Funds to be disbursed as necessary when the business process redesign is complete. The redesign involves moving to a consolidated annual notice of funding availability rather than through multiple notices and programs, prequalifying organizations that meet specified application standards, and allow for competitive first-come, first reviewed projects. For those projects that don't qualify, the $9.7 million will qualify as bridge financing to help applicants get their projects to a point at which they will be competitive for funds in a future cycle. Other Funds expenditure limitation of $5.8 million is associated with 26 positions (22.00 FTE) to facilitate projects submitted under the redesign. Another 18 permanent full-time positions (16.72 FTE) were approved for the division to meet workload demands and are supported by $3.9 million Other Funds, from fees charged to developers. The positions will fill gaps in operations, compliance, data collection, technical expertise, and reporting.

Single Family Housing

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	20,454,792	94,097,988	3,700,020	28,915,793
Other Funds	19,949,050	30,749,787	25,932,761	81,213,808
Federal Funds	151,036	75,403,948	24,556,876	68,887,093
Total Funds	**$40,554,878**	**$200,251,723**	**$54,189,657**	**$179,016,694**
Positions	16	56	37	43
FTE	15.00	50.06	37.00	42.88

Program Description

The Single Family Housing program promotes homeownership by supporting below-market-rate loans financed through the sale of tax-exempt mortgage revenue bonds, providing downpayment and closing cost assistance, and funding home ownership education. Also included are counseling services to prospective homebuyers and homeowners, including those facing foreclosure, and the Marinas and Manufactured Communities Resource programs, which promotes cooperative relationships and alternatives to court action among owners and tenants. The program is funded through an annual assessment on manufactured homes and park registration fees.

Budget Environment

Single Family Housing Programs were unable to design programs and deploy 2021-23 General Fund for specific investments in a timely manner. As a result, the 2023-25 legislatively adopted budget allowed for the transfer of 2021-23 unexpended General Fund balances to Other Funds, enabling the agency to commit funds to projects and programs in 2023-25.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Single Family Housing programs totals $179 million, which is a $21.2 million, or 10.6%, decrease from the 2021-23 legislatively approved budget. This decrease is primarily due to the phase-out of one-time investments in various division programs. In addition, the budget includes the following one-time increases in General Fund:

- $7.5 million for down payment assistance to capitalize a revolving loan program to be paired with the department's Flex Lending mortgage program.
- $7.5 million for a loan fund administered by the Network for Oregon Affordable Housing.
- $5 million to subsidize affordable homes for purchase financed with LIFT program bonds.
- $2.5 million for foreclosure avoidance counseling, expected to provide service to 1,875 Oregonians.
- $2.5 million for manufactured home repair and replacement, which leverages other private resources for homeowners.

Of the 2023-25 budget's $81.2 million in Other Funds expenditures, $12.6 million is attributable to document recording fee-financed down payment assistance, as well as support for housing centers, counseling, and veteran home rehabilitation and repair. Another $1.5 million is attributable to expenditures for manufactured housing programs and marinas, while $12.3 million supports various lending activities. Transfers of 2021-23 unexpended General Fund balances comprise $50 million in Other Funds expenditure limitation.

The legislatively adopted budget includes $68.1 million in Federal Funds expenditure limitation and nine permanent positions to deploy remaining funds and close out the Homeowner Assistance Fund program, which was funded by American Rescue Plan Act dollars. Once this funding is deployed, the positions will no longer be necessary/supportable, and should be eliminated from the budget in future biennia. The Neighborhood Stabilization Program, a federal grant program, comprises the balance of 2023-25 Federal Funds expenditure limitation for the division.

Homeownership Stabilization Initiative

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	3,149,636	$1,535,561	--	--
Federal Funds	2,585	--	--	--
Total Funds	**$3,152,221**	**$1,535,561**	**--**	**--**
Positions	20	14	--	--
FTE	17.25	5.93	--	--

<u>Program Description</u>

The OHSI Homeownership Stabilization Initiative (OHSI) was established to support HCSD's contractual expenses required for the administration of funding available through the federal Troubled Asset Relief Program, which was established in 2008 to stabilize the nation's financial system. Oregon was one of 18 states to receive funding from the program's Hardest Hit Fund due to the high unemployment and home foreclosure rates experienced by the state during the last major economic recession. The program provided temporary mortgage payment assistance, loan refinancing for borrowers who owed more on their mortgage than the market value of their home, and assistance with fees and charges amassed through late payments.

HCSD administered the Hardest Hit funding through a contract with the Oregon Affordable Housing Assistance Corporation, a not-for-profit corporation formed at the direction of the U.S. Treasury. While the program provided an initial disbursement of $220 million, which was followed by an additional allocation of $95.4 million in 2015, only HCSD's contractual expenses were included in the agency's budget and classified as Other Funds expenditure limitation. The funding was required to be fully expended by December 2021.

<u>Legislatively Adopted Budget</u>

This program contains no budgeted resources for the 2023-25 biennium, as funding has been expended and reporting and other activities are largely complete. The budget is included for comparison purposes with previous biennia only.

Disaster Recovery and Resiliency

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	--	865,847	865,847
Other Funds	--	--	552,125	49,542,865
Federal Funds	--	--	3,075,934	139,220,759
Total Funds	**--**	**--**	**$4,493,906**	**189,629,471**
Positions	--	--	13	42
FTE	--	--	13.00	42.00

Program Description

The Disaster Recovery and Resiliency Division was created in 2023-25 to help wildfire survivors find transitional and permanent housing in the wake of the 2020 Labor Day fires. The division assists low to moderate income households. While funding and position authority was included in the 2021-23 legislatively approved budget, it was budgeted in the Central Services Division.

Revenue Sources and Relationships

General Fund supports core management and program development functions within the division. Other Funds expenditure limitation represents carry forward of unexpended 2021-23 General Fund and lottery bond proceeds that were approved for projects. The majority of the division's efforts are funded with a federal Community Development Block Grant - Disaster Recovery (CDBG-DR) award totaling $422 million, of which 5% (or $21.4 million) can be used for administration of the grant. Grant funds are anticipated to be fully disbursed by the 2025-27 biennium.

Budget Environment

The Disaster Recovery and Resiliency Division had its federal CDBG-DR disbursement plan approved by HUD in August of 2022. The plan components include the following:

- *Homeowner Assistance and Reconstruction Program ($204.6 million)*: A housing replacement program for homeowners who lost homes to the fires. The program will provide new homes or help survivors rebuild. At this time, the program does not include any benefits for survivors who have completed their reconstruction. If sufficient funds are available, a reimbursement program could be added in a future amendment to the action plan.
- *Homeownership Opportunities Program ($119.3 million)*: A new homeownership program for fire survivors who were renters and displaced by the fires. This program will fund development of affordable opportunities for former renters to buy homes. OHCS will partner with nonprofit and other developers to build new housing.
- *Survivor Support Services*: The Action Plan supports services such as rent, housing navigation, legal assistance, and case management; intermediate housing assistance ($20.1 million); housing and recovery services ($6 million); and legal services ($6 million).
- *Planning, Public Infrastructure and Economic Revitalization Program (PIER) ($42.1 million)*: PIER supports local priority projects to build new infrastructure, prepare for future disasters, and support economic revitalization. OHCS, with input from the impacted counties, will suballocate PIER funding by county. Local governments and other key recovery will select and define the priority projects to receive these funds.
- *Community Planning and Revitalization ($3 million)*: This program allows the state to conduct housing and mitigation planning for disaster-impacted areas.

Three years after the fires, many who lost housing are still waiting on permanent housing due to delays in local projects for which HCSD has already committed funding from the $100.4 million General Fund appropriation in

2021-23. Since its CDBG-DR funding award was announced, HCSD has been working on an information technology (IT) system of record to help manage and track applicant information and related disbursements. However, disputes with the contracted IT developer over system design, timelines, and deliverables may contribute to delays in disbursement of homeowner assistance and reconstruction funding, homeownership opportunities to former renters, and economic revitalization funds to communities. The Division also experienced a setback in the summer of 2023, when the manufactured housing it had purchased for former manufactured park residents was found to be defective and in need of rebuilding.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Disaster Recovery and Resiliency totals $189.6 million and includes 42 positions (42.00 FTE). The program represents a new budget structure in 2023-25 and is almost entirely funded from Other Funds and Federal Funds. Unexpended General Fund from the $100.4 million appropriated in 2021-23 for construction, rebuilding and financing initiatives in wildfire affected areas comprises $27.1 million of Other Funds expenditure limitation. The remaining amount of Other Funds is from $22.4 million in unexpended lottery bond proceeds available from $50 million authorized in the 2021-23 biennium for wildfire recovery efforts. Of the $422 million CDBG-DR grant, $1.85 million was expended in 2021-23, and $139.2 million is anticipated to be disbursed in the 2023-25 biennium through the Disaster Recovery and Resiliency program. HCSD has until 2026 to expend all CDBG-DR funds, and once that occurs, nine permanent positions will lose their source of funding.

Central Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	2,700,217	63,317,758	1,857,932	6,042,236
Other Funds	17,772,970	57,427,291	30,866,680	36,050,804
Federal Funds	2,672,506	20,153,669	8,902,782	10,534,002
Total Funds	**$23,145,693**	**$140,898,718**	**$41,627,394**	**$52,627,042**
Positions	77	176	116	155
FTE	68.67	139.68	116.00	152.08

Program Description
The Central Services program includes the administrative functions of the Department, including the following:

- Director's Office, Deputy Director's Office, and Housing Stability Council
- Equity, Diversity and Inclusion
- Business Services, Human Resources, Accounting, and Public Affairs
- Procurement and Grant Compliance Section
- Information Services
- Central Services Administrator's Office

Revenue Sources and Relationships
Other Funds and Federal Funds are derived from indirect charges with each program contributing a share of administrative costs pursuant to a federally approved cost allocation plan.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Central Services totals $52.6 million, which is an $88.3 million, or 62.6%, decrease from the 2021-23 legislatively approved budget. This decrease largely reflects the phase-out of one-time investments available in 2021-23. While the budget reflects a decrease compared to the prior biennium,

it represents a 26.4% increase from the 2023-25 current service level budget due to the Legislature's prioritization of shelter, homelessness prevention, and housing affordability initiatives.

The adopted budget includes $1.6 million Other Funds and $395,882 Federal Funds to fund nine positions that were funded with one-time General Fund in 2021-23. This is accomplished by increasing the assessment on other divisions for their share of centralized costs, essentially transferring Other Funds and allowable Federal Funds revenue from programs for which HCSD has administrative revenue that exceeds operating expenses. An additional 10 positions (9.48 FTE) were included to increase capacity for budget development, fiscal compliance, accounting, information services, and human resources, resulting in an increase of $769,847 Other Funds. Funding for another seven existing positions in the division were shifted from General Fund to Other Funds ($1.7 million) and Federal Funds ($402,164).

Expenditure limitation was increased by $346,576 Other Funds to accommodate a transfer of Medicaid funding from the Oregon Health Authority, providing staffing capacity for HCSD's role in implementing the new five-year Section 1115 Medicaid demonstration waiver, which allows federal Medicaid funds to be used for housing stability. This funding supports two positions (1.50 FTE) to coordinate engagement, provide financial management, and fulfill reporting requirements related to the waiver.

Eight positions (7.04 FTE) were added to accommodate additional central service-related functions necessitated by the addition of staff in the Affordable Rental Housing Division due to the realignment of funding processes. The amount of additional Other Funds expenditure limitation associated with the new staff is $1.8 million for the 2023-25 biennium. Positions associated with responsibilities under the Oregon Housing Needs Analysis are budgeted in the Central Services Division and include three permanent positions (2.26 FTE) and $500,000 for one-time contractual services; in total, Oregon Housing Needs Analysis work in this division totals just over $1 million.

One-time General Fund of $1.7 million was approved to support language accessibility tools within the Department's various divisions, and to make content published online available to those with limited English proficiency. General Fund totaling $3.2 million was also appropriated on a one-time basis to support 11 permanent positions associated with emergency shelter and homeless initiatives approved for the 2023-25 biennium. Should funding not be sustained in subsequent biennia, these positions will need to be eliminated or additional workload and a source of permanent funding will need to be identified.

Bond Activities and Debt Service

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	23,047,217	66,868,798	116,231,799	127,321,360
Lottery Funds	21,752,234	25,217,810	28,443,620	30,569,883
Other Funds	3,402,461	9,857,561	6,047,774	11,113,317
Other Funds (NL)	646,515,631	925,785,282	882,449,056	882,449,056
Federal Funds	2,588	--	--	--
Total Funds	**$694,720,131**	**$1,027,729,451**	**$1,033,172,249**	**$1,051,453,616**
Positions	7	8	8	9
FTE	6.50	8.00	8.00	8.92

<u>Program Description</u>

Costs captured in the Bond Activities and Debt Service program are those related to staffing, bond counsel, debt service, refinancing, and cost of issuance associated with issuing and monitoring bond sales payments over time. HCSD sells tax-exempt bonds to investors and uses the proceeds to finance multifamily and residential (single family) mortgage loans. Investors accept lower interest yields because the interest earned is generally exempt from income tax; the result is lower borrowing costs, which are passed on to borrowers in the form of below-market interest rates on their loans.

Because of their tax-exempt status, the bonds are subject to certain federal requirements. For multi-family housing projects, a certain number of units must be affordable to people with incomes within a specific range; and single-family loans must be for owner-occupied homes with purchase price limitations for low-to-median income first-time home buyers. Bonds issued for projects take one of two approaches: issuance of direct revenue bonds for single family loans and some multifamily projects remaining within the agency's multifamily loan portfolio; and pass-through (or "conduit") revenue bonds, which provide borrowers with access to lower financing rates. The latter are sold as private placements to large commercial banks, which underwrite the projects and negotiate specific transaction terms with the borrower and depend on commercial bank capacity and willingness to participate as lenders.

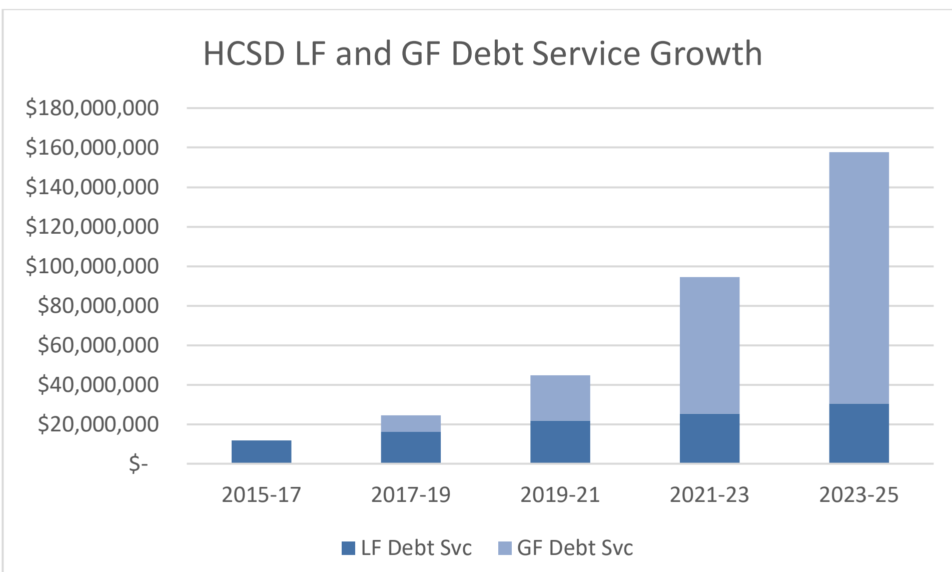
Revenue Sources and Relationships

Other Funds Nonlimited revenue comprises 83.9% of this budget and supports loan purchases, bond issuance costs, and asset protection. Other Funds Limited supports administrative expenses for the program. General Fund and Lottery Funds support debt service costs on general obligation and lottery revenue bonds.

Budget Environment

Expenditures related to the program include disbursement of bond proceeds for loans, mortgages, and downpayment assistance, and bond issuance costs for sales fees and bond re-marketing. Other costs include administrative expenses, including fees for underwriting, attorneys, financial advisors, trustees, state treasury assessments, and liquidity necessary to assure compliance with tax code requirements and bond covenants; and asset protection expenses, including insurance and maintenance.

Upon significant increases in the issuance of general obligation bonds, General Fund debt service has grown considerably since first appropriated in 2017-19. The chart below shows this increase relative to changes in Lottery Funds debt service.



Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Bond Activities and Debt Service totals $1.05 billion, which is a $23.7 million, or 2.3%, increase from the 2021-23 legislatively approved budget. The Legislature approved the issuance of $600 million in general obligation bonds for LIFT and Permanent Supportive Housing programs. Most of these bonds will not be issued until spring of 2024 and 2025, thereby saving some debt service costs in 2023-25. Lottery bond approval for HCSD was confined to affordable housing preservation and totaled $50 million in proceeds (budgeted as Other Funds), accompanied by $2.5 million Lottery Funds for debt service. Debt service associated with Article XI-Q bonds authorized in 2023-25 is $26.5 million and is budgeted as General Fund.

Capital Construction

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	250,000,000	410,000,000	--	600,000,000
Total Funds	**$250,000,000**	**$410,000,000**	**--**	**$600,000,000**

Legislatively Adopted Budget

The Capital Construction budget structure provides expenditure limitation for a period of six years for the construction of affordable housing or acquisition of land that is financed with proceeds of bonds issued under the authority of Article XI-Q of the Constitution. The housing to be developed with the bonds will be targeted to low-income individuals and families. A state ownership interest in the property that is developed with Article XI-Q bonds must be maintained, which HCSD will meet through maintaining a position in the loan agreement, appointing property managers, setting rents, and establishing requirements related to leases, use of reserves, and terms of loan satisfaction.

The estimated financed cost per unit for the LIFT-financed projects continues to rise. In 2015, HCSD estimated that 965 units could be financed with $40 million in bond proceeds (for an estimated per unit amount of $41,451). The number of units from $80 million in bonds approved for 2017 was 1,406 (driving a per unit average of $56,899). For the $250 million in 2019 approved XI-Q bond proceeds, HCSD estimated being able to produce approximately 2,168 units. In 2021-23, HCSD estimated 750 units for every $100 million in funding; for 2023-25, HCSD estimates 734 units for every $100 million in funding. These trends indicate that the cost per unit has increased an estimated 229% since the inception of the LIFT program in 2015.

Revenue Sources and Relationships

Proceeds from the sale of Article XI-Q general obligation bonds provide the Capital Construction funding for the LIFT program and the Permanent Supportive Housing initiative. General Fund is appropriated in the Bond Activities and Debt Service program unit to make regular debt service payments on outstanding bonds.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Capital Construction totals $600 million Other Funds, which is a $190 million, or 46.3% increase from the 2021-23 legislatively approved budget. Because of the six-year period authorized for the expenditure of capital construction funding, the amount available in 2021-23 did not carry forward to the 2023-25 current service level budget. Of the amount approved in 2023-25, an estimated $160 million will be directed toward construction of approximately 800 units of housing with supportive services for very low-income Oregonians who require tenancy supports and rental assistance to remain stably housed. This would bring the number of permanent supportive housing units funded with LIFT bonds to 1,115, of which 529 are assumed to be occupied by the end of the 2023-25 biennium.

DEPARTMENT OF VETERANS' AFFAIRS

Analyst: Campbell

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	7,157,378	9,140,366	9,560,759	9,329,093
Lottery Funds	16,562,491	21,077,937	19,642,554	22,423,654
Other Funds	98,756,734	121,680,744	120,580,491	138,624,314
Other Funds (NL)	257,495,965	340,993,803	203,125,000	261,125,000
Federal Funds	592,874	1,628,594	1,719,613	3,881,025
Total Funds	**$380,565,442**	**$494,521,444**	**$354,628,417**	**$435,383,086**
Positions	102	104	102	101
FTE	101.65	103.79	101.97	100.97

Overview

The mission of the Oregon Department of Veterans' Affairs (ODVA) is to serve and honor veterans through leadership, advocacy, and strong partnerships. ODVA has three primary program areas supported by the agency's core operations: the Veterans' Loan Program, Veterans' Services Program, and Aging Veteran Services, which includes the two veterans' homes.

The Veterans' Loan Program provides home loans to qualified veterans. Loan origination and servicing functions, as well as the agency's administrative costs, are included in the Loan Program budget. The Veterans' Services Program provides claims and appeals assistance and partnerships with counties and national veterans' service organizations to assist veterans. The Veterans' Home Program provides oversight of the two skilled-nursing and memory care facilities in The Dalles and Lebanon. Finally, the Aging Veteran Services program provides aging veterans' benefits and services, and conservatorship and representative payee services.

Revenue Sources and Relationships

The Veterans' Loan Program is funded entirely with Other Funds revenue derived from the proceeds of general obligation bond sales and bond refunds ($140 million), veteran loan and contract-related repayments ($80 million), and interest earnings ($50 million). The balance of revenue comes from service charges, rent, licenses, fees, and miscellaneous revenues totaling approximately $6.4 million. Available revenues and reserves are expected to be sufficient to cover operations and debt service in 2023-25. The Home Loan Program's administrative costs are supported with Other Funds budgeted with expenditure limitation, while direct loan activity expenditures (i.e., loans made to veterans, pass-through payments made on behalf of borrowers, and debt service on general obligation bonds issued to finance the program) are budgeted as nonlimited.

The Veterans' Services Program has historically been funded with General Fund and Other Funds. Beginning in the 2017-19 biennium, the program's funding also includes Lottery Funds available through the passage of Ballot Measure 96, which dedicated 1.5% of state lottery net proceeds towards veterans' services. Total lottery revenue dedicated to veterans' services is projected to be $27.5 million for the 2023-25 biennium, based on the Office of Economic Analysis' May 2023 revenue forecast, with an additional $5.5 million beginning balance in the Veterans' Services Fund, for a total of $33 million. Lottery revenue of $22.5 million is allocated from the Veterans' Services Fund to the Department in the 2023-25 legislatively adopted budget, with an additional $5.9 million allocated for veterans' programs and services in other agencies. An estimated ending balance of $3.6 million was retained in the Veterans' Services Fund to mitigate potential revenue fluctuations. Collectively, General Fund and Lottery Funds support ODVA's statewide veteran services, including Veteran Service Officer positions, a small emergency assistance program, and service delivery partnership programs, where funding is passed through as special payments to counties and national service organizations. General Fund and Lottery Funds also support aging veteran services, including conservatorship and representative services; the veteran volunteer program; and outreach to aging veterans which have historically been part of the Veterans' Services Program, but were established as a separate program area in the 2019-21 budget. Lottery Funds directly support a veterans' crisis support and suicide prevention telephone hotline, tribal veteran representative programs and partnerships, veterans' services grants, veterans' health care transportation grants, and grants to public universities and community colleges for campus veteran resource centers. In addition to General Fund and Lottery Funds support, the Conservatorship program receives Other Funds revenue from fees charged to manage the finances of conservatorship clients (7% of the protected person's income).

The Oregon Veterans' Home Program operational costs are financed mostly with Other Funds. Revenues are primarily moneys received from the residents of the facilities, Medicare and Medicaid payments, and a per diem amount received directly from the U.S. Department of Veterans Affairs (VA). Veterans who reside in the homes receive benefits not available to them if they reside elsewhere. Many veterans receive aid and attendant benefits along with disability compensation or income-based VA pensions, which, combined with their social security benefits, provides the revenue with which to pay for their care in the homes. Veterans' Home Program revenue charges for services are estimated to total $112.9 million in the 2023-25 biennium. The total amount of revenue is based, in part, on occupancy projections from the homes' contractor. Other Funds revenue is also received from the sale of veterans' license plates and the Charitable Check Off program. ODVA projects a 2023-25 beginning balance of $11.5 million in the Veterans' Home Program.

Budget Environment

An estimated 277,405 veterans live in Oregon who have served over the following five eras: World War II (1.5%), Korea (6%), Vietnam (34%), Gulf (13.5%), Post 9-11 (20%), and during times of peace (25%). ODVA continues to focus on serving more veterans and reaching the seven out of ten veterans who are not accessing their federal benefits for education, health care, disability, or retirement, including special advocacy for women, LGBTQ, incarcerated, student, and tribal veterans. Veterans of color make up 13% of the Oregon veteran population and nearly 10% are women. Additionally, more than 50% of veterans are 65 or older, placing an emphasis on the need for aging veteran services.

The Veterans' Home Loan program is funded through the issuance of tax-exempt Qualified Veteran Mortgage Bonds (QVMBs). Oregon is one of five states, including Alaska, California, Texas, and Wisconsin, that are grandfathered under federal tax law to offer a state veteran home loan program. Federal law limits the use of QVMBs, requiring that borrowers apply for a loan within 25 years of discharge from military service and that proceeds may not be used to refinance homes. In 2010, Oregon voters passed Ballot Measure 70, making the Home Loan Program a state lifetime benefit for veterans. Loans for this eligible group must be funded from reserves or older bond proceeds. While more veterans are eligible, and the product to serve them is restricted, reserves from the loan program have been used in prior biennia to subsidize costs of the veterans' services and administrative functions of the Department. In response to a General Fund shortfall in the 1991-93 biennium, Veterans' Home Loan Program revenues were used to supplement veterans' services funding. This practice was a contributing factor to losses and a decrease in the overall net position of the Home Loan Program. A portion of the subsidy was eliminated in the 2013-15 biennium when the cost of Veteran Service Officer positions performing non-loan program work was shifted back to General Fund. The remaining direct veterans' services and administration costs being supported by home loan revenues were shifted to Lottery Funds in the 2017-19 budget to help strengthen, stabilize, and sustain the Home Loan Program for future generations of veterans.

ODVA experienced a reduction in its loan portfolio over the last several fiscal years as a result of a prolonged period of low interest rates. However, originations have increase recently increased from $46.9 million in 2021 to $88.6 million in 2022. The increase is primarily attributable to the rise of mortgage interest rates which have increased significantly since the beginning of the 2022 calendar year. ODVA continues to focus on increasing lending partners, including mortgage bankers and brokers that provide the Department's loan supply. As of June 30, 2022, the loan portfolio was approximately 1,376 loans totaling more than $298 million.

The Dalles Veterans' Home was built in 1997 and the Lebanon Veterans' Home was opened in 2014. Expenditures for these facilities relate to the cost of providing skilled-nursing and memory-related care. Operation of the facilities is contracted out to a health care service provider. Obtaining and maintaining a high occupancy rate is important to each facility's financial condition. Retaining affordability continues to be a challenge as medical costs increase at a rate faster than the federal VA pension and Social Security income of most residents. As the facilities age, maintenance and capital improvements are necessary and the Department leverages available VA grants for renovations and upgrades. Due to the intermittent suspension of admissions, occupancy rates decreased by 18% during the COVID-19 pandemic, which resulted in lower revenues for the homes. Although the Lebanon Home has almost recovered to its pre-pandemic occupancy level, the Dalles Home has been struggling to recover due to low application numbers, staffing concerns, and attrition. The program received funding from the federal CARES Act Provider Relief Fund, which helped to offset some of the lost revenue and increased costs related to the pandemic.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Department of Veterans' Affairs is $435.4 million total funds and 101 positions (100.97 FTE). The budget is a 12% decrease from the 2021-23 legislatively approved budget, which is primarily attributable to a $79.9 million decrease in Other Funds Nonlimited to align with projected home loans and debt service payments.

Other Funds Nonlimited of $261.1 million for the Veterans' Loan program bond-related activities, debt service, and loans to borrowers make up 60% of the total budget. Excluding Nonlimited funds, the 2023-25 legislatively adopted budget is a 13.5% increase from the 2021-23 legislatively approved budget. Ballot Measure 96 Lottery Funds of $22.4 million represents a 6.4% increase over the prior biennium. The budget also includes $9.3 million General Fund, which consists of $9 million for veterans' services and $372,670 for debt service on outstanding bonds.

Loan Program

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	13,680,325	18,661,185	18,822,362	23,047,099
Other Funds (NL)	257,495,965	340,993,803	203,125,000	261,125,000
Total Funds	**$271,176,290**	**$359,654,988**	**$221,947,362**	**$284,172,099**
Positions	46	47	46	46
FTE	45.97	46.79	45.97	45.97

Program Description
The Veterans' Home Loan Program was created in 1945 to provide a benefit to World War II veterans returning home. The Loan Program provides qualified veterans low-interest rate mortgages on single-family owner-occupied homes through the issuance of general obligation bonds authorized under Article XI-A of the Oregon Constitution. Since the Loan Program's inception, the Department has made over 336,000 home and farm loans with a principal amount of nearly $9 billion. The program budget consists of:

- Home Loan Services – functions dealing with the loan program, including originating and servicing loans.
- Director's Office – information services, information management, and human resources.
- Financial Services – overall financial oversight of the Department, including budgeting, accounting, cashiering, and financial management.
- Facility and Construction Management – facility services.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $284.2 million Other Funds is a 21% decrease from the 2021-23 legislatively approved budget. The increase is primarily attributable to a $56.6 million increase in Other Funds Nonlimited to align with projected home loans and debt service payments in the upcoming biennium due to raising interest rates which have made the agency's loan program more competitive. Limited Other Funds of $23 million for loan services and ODVA operations is a 23.5% increase from the 2021-23 legislatively approved budget. Other Funds were increase by $1 million on a one-time basis to fund the replacement of the home loan servicing application information technology system.

Veterans' Services Program

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	6,799,233	7,996,791	8,385,453	8,155,751
Lottery Funds	16,562,491	17,122,038	16,303,469	19,005,069
Other Funds	--	6,236,168	156,899	1,756,899
Federal Funds	592,874	1,628,594	1,719,613	1,719,613
Total Funds	**$23,954,598**	**$32,983,591**	**$26,565,434**	**$30,637,332**
Positions	40	39	38	37
FTE	39.68	39.00	38.00	37.00

Program Description
The Veterans' Services Program provides advocacy and benefits to veterans, their dependents, and survivors through the following activities:

- Statewide Veteran Services – assists veterans and their dependents/survivors to obtain service-connected and non-service-related benefits from the U.S. Department of Veterans Affairs. Federally accredited and state certified veteran service officers (VSOs) provide claims and appellate representation through ODVA's power of attorney. Over 33,000 new claims were filed in fiscal years 2021 and 2022. This program also provides training, certification, and accreditation for county and state VSOs.
- County Veteran Service Officers Program (CVSOs) – pass-through funding to counties supports a network of trained county veteran service officers. This partnership began in 1947 to aid counties in promoting veteran services at the local level. Historically, CVSOs have existed in 34 of the 36 counties and ODVA provided services for Marion and Polk counties. However, a Polk County Veteran Service Office was established in January 2017 and Marion County opened a Veteran Service Office in 2018.
- National Service Organizations (NSOs) – pass-through funding supports national veteran service officers that provide benefit and claims representation. ODVA's partnership with national veteran service organizations in Oregon was established in 1949. Currently, the Disabled American Veterans, National Association of Black Veterans, American Legion, and Veterans of Foreign Wars participate in this funding.
- Tribal Veteran Representatives Program – pass-through funding to support Tribal Veteran Representatives Service Offices to expand and enhance services for tribal veterans to obtain federal VA benefits.
- Veterans' Emergency Financial Assistance Program – provides emergency aid to Oregon veterans and their immediate families through an emergency assistance program established by the Legislature in 2005. Grants are provided to veterans to help with health and welfare emergencies.
- Grant Programs and Partnerships – leverage existing state programs and partner with federal, state, and non-profit organizations to expand services in the key areas of health, education, and economic opportunity. Grant programs include the Veteran Services Grant Fund, Campus Veteran Resource Center Grant Program, Rural Veteran Healthcare Transportation Grant Program, Veteran Education Bridge Grant Program, and federal Highly Rural Transportation Grant (HRTG).

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $30.6 million total funds represents a 7.1% decrease from the 2021-23 legislatively approved budget. General Fund support for veterans' services is a 2% increase from the prior biennium while Lottery Funds expenditure limitation of $19 million for the Veterans' Services Program represents an 11% increase. Specific investments with lottery dollars dedicated by Ballot Measure 96 for services to veterans include:

- $1 million on a one-time basis to renew and expand the Campus Veteran Resource Center Grant Program. Funding will support campus veteran resource centers throughout Oregon.
- $650,000 transferred on a one-time basis to the Oregon Department of Transportation (ODOT), who will carry the expenditure limitation to administer the Rural Veteran Healthcare Transportation grant program. ODVA partnered with ODOT starting in the 2019-21 biennium to administer this program.
- $540,000 on a one-time basis to support wrap around services at the Courtney Place Veterans' Housing adjacent to the new YMCA facility in Salem.
- $400,000 on a one-time basis to renew and expand the Veteran Educational Bridge Grant Program. These grants are designed to support student veterans that find themselves unable to complete their academic programs on time due to the unavailability of a required class.
- $350,000 on a one-time basis to increase funding for the Veteran Services Grant Program for the 2023-25 biennium. This amount, combined with continuing funding, brings total funding for the biennium to $947,556. The program supports the provision of direct services to Oregon veterans including mental health care, housing security, and employment.
- $220,000 on a one-time basis for the agency to study and make recommendations for policy proposals on the tax treatment of military pensions.
- $100,000 on a one-time basis to the Veteran Emergency Financial Assistance Program. Funding provides financial assistance to veterans with emergency needs, such as temporary housing and related housing needs, emergency medical or dental expenses and emergency transportation needs.
- $91,600 on a one-time basis to increase funding for the Tribal Veteran Service Officer (TVSO) Program which provides direct U.S. Department of Veterans Affairs benefit and claims representation for veterans, through the federally recognized Oregon tribes.
- $79,500 to augment the current information system staffing within the agency by adding funding for a contractor to maintain the AS400 legacy applications.

Other Funds of $1.8 million represents a 71.8% decrease from the prior biennium. $1.6 million in expenditure limitation was provided to accommodate distribution of lottery bond proceeds for the YMCA veterans' affordable housing project and associated bond costs of issuance. The bonds totaling $6 million to fund the project were sold in 2021-23, but expenditure limitation needed to be reestablished in 2023-25 because construction is not complete. Federal Funds increased 5.6% over the 2021-23 legislatively approved budget. Federal Funds are primarily associated with ODVA serving as the U.S. Department of Veterans Affairs State Approving Agency (SAA) for veterans' education programs. ODVA assumed this role beginning October 1, 2019. SAAs approve education and training programs that are eligible to receive GI benefits and provide technical assistance and outreach to schools and veterans.

The 2023-25 legislatively adopted budget funds ongoing veterans' services programs at the following levels:

- Statewide Veteran Services: $5.2 million General Fund, $5.9 million Lottery Funds, and 34 positions (34.00 FTE)
- State Approving Agency: $152,205 Lottery Funds, $632,807 Federal Funds, and three positions (3.00 FTE)
- County Veterans' Service Officers: $2 million General Fund, $7.8 million Lottery Funds

- National Service Organizations: $133,293 General Fund, $541,693 Lottery Funds
- Tribal Veteran Offices: $308,961 Lottery Funds
- Emergency Assistance: $116,985 General Fund, $100,000 Lottery Funds
- YMCA Veterans' Housing Wrap-Around Services: $540,000 Lottery Funds
- Partnerships:
  - Campus Veteran Resource Centers grant program: $1 million Lottery Funds
  - Veterans' Services Grant Fund: $947,556 Lottery Funds
  - Suicide Prevention Hotline: $380,017 Lottery Funds
  - Transportation Grants: $650,000 Lottery Funds, $1,086,806 Federal Funds
  - Veteran Educational Bridge Grants: $ 586,550 Lottery Funds

Oregon Veterans' Home Program

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	358,145	371,660	372,670	372,670
Other Funds	85,076,409	96,783,391	101,601,230	113,820,316
Federal Funds	--	--	--	2,161,412
Total Funds	**$85,434,554**	**$97,155,051**	**$101,973,900**	**$116,354,398**
Positions	4	4	4	4
FTE	4.00	4.00	4.00	4.00

<u>Program Description</u>

The Oregon Veterans' Home Program provides skilled nursing, Alzheimer's and memory-related care, and rehabilitative care to Oregon veterans and their spouses, and to parents who have lost a child to war-time service, through two veterans' homes in Oregon. The Dalles Veterans' Home opened in November 1997 and has a bed capacity of 151 residents. Funding for construction and equipping of the facility was from a 65% federal grant matched with a 35% state obligation contributed by Wasco County. The Dalles Veterans' Home has been in operation for over 20 years and ongoing repairs, maintenance, and capital renewal are necessary to keep the facility in good operating condition. Health and safety improvements were completed in 2011-13, and interior renovations were completed in the 2017-19 biennium and exterior upgrades to the facility were completed in 2021. Both the interior and exterior renovation projects were funded in part through federal grants. As of June 30, 2022, The Dalles Veterans' Home had an average annual occupancy rate of 66%.

A second Veteran's Home in Lebanon opened in 2014. The Edward C. Allworth Veterans' Home has capacity for 154 residents. Skilled nursing, including inpatient rehabilitative care, is provided using a small house model, providing a home-like setting with "neighborhoods" that include landscaped courtyards and a community center. As of June 30, 2022, the Lebanon Veterans' Home was at 92% capacity.

The facilities provide care at lower-than-market rates to veterans and their families because veterans' benefits can be utilized toward the cost of care. Home operations are funded entirely by Other Funds, consisting primarily of resident-related benefits, including federal VA payments, Medicare, Medicaid, insurance, and private payments. The program also receives monies from the sale of veterans' license plates and donations from the charitable checkoff income tax program. ODVA contracts with Veterans Care Centers of Oregon (VCCO), a non-profit organization, for the day-to-day operation of the facilities, utilizing the state's competitive procurement process.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $116.4 million is a 19.8% increase from the 2021-23 legislatively approved budget. General Fund of $372,670 is appropriated for debt service on Article XI-Q bonds issued in 2019 to construct a new educational building to train nursing staff at The Dalles Veterans' Home and to build a parking lot at the Lebanon Veterans' Home. Other Funds expenditure limitation increased by $17 million, which is 17.6% increase from the 2021-23 Other Funds legislatively approved budget. The increase is primarily attributable to a new labor contract with nursing and other employees at the two veterans' homes. The impact by location is $3.3 million for Lebanon and $7.8 million for The Dalles, for a total of $11.1 million. The $2.2 million Federal Funds expenditure limitation in 2023-25 biennium is for deferred maintenance to complete a project at The Dalles Veterans' Home.

Aging Veteran Services Program

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	771,915	802,636	800,672
Lottery Funds	--	3,955,899	3,339,085	3,418,585
Total Funds	**--**	**$4,727,814**	**$4,141,721**	**$4,219,257**
Positions	12	14	14	14
FTE	12.00	14.00	14.00	14.00

Program Description

The Aging Veteran Services Program provides expertise in aging veterans' benefits and services, oversees the veteran volunteer program to locate and assist veterans across the state, provides outreach and education to partner agencies related to benefits and assistance for aging veterans, and files claims for veterans residing in ODVA's veterans' homes or receiving conservatorship and representative payee services. The program provides conservatorship and representative payee services for veterans and their dependents who are determined to be "protected persons" and are recipients of U.S. Department of Veterans Affairs' benefits. Conservatorship services are provided when no other entity or person is willing or able to act as conservator and the agency is appointed as fiduciary. Program staff serve as trust officers, file required legal reports, apply for all benefits due to the veteran, and counsel families, hospital personnel, social workers, and protected persons to ensure their needs are met within the resources available. Representative payee services are more limited in scope, with staff paying bills and advocating on behalf of veterans.

The Aging Veteran Services Division was established in the 2019-21 biennium to address the needs and concerns of the rapidly aging veteran demographic and their families, as well as provide additional transparency in budgeted program expenditures. The program was previously budgeted as part of the Veterans' Services Program. Oregon has one of the largest concentrations of aging veterans in the country, with more than half of the veteran population being age 65 or older. This includes those who served during World War II and Korea, as well as the largest veterans demographic in the state: Vietnam veterans. These numbers are expected to rise in the coming years and the aging population will need access to long-term care, home and community-based services, adult foster care, prescription medications, and increased health and dental care. Aging Veteran Services collaborates with all state, federal, and community partners to ensure aging veterans, their families, and caregivers receive advocacy and services.

The Division incorporates the Conservatorship and Representative Payee Program, Aging Veteran Outreach, and the Veteran Volunteer Program. The Conservatorship and Representative Payee Program assists veterans in managing their financial affairs by functioning as a conservator or representative payee. The Aging Veteran Outreach Program works collaboratively with agency partners to coordinate benefits and services specific to the aging population. The program educates other agencies and the public regarding aging veterans' benefits and file claims on behalf of veterans residing in a veterans' home or participating in the conservatorship program. The

Veteran Volunteer Program was established to create a volunteer network trained to locate and assist veterans with their benefits. The program also provides ongoing training and oversight for volunteers.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $4.2 million total funds total funds represents a 10.8% decrease from the 2021-23 legislatively approved budget. The reduction is primarily attributable to not renewing the $750,000 Lottery Funds authorized in 2021-23 to replace the Conservatorship Program information technology system. This project is currently on hold given the agency's focus on the home loan servicing information technology project.

CONSUMER AND BUSINESS SERVICES

PROGRAM AREA

BOARD OF ACCOUNTANCY

Analyst: Graham

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	2,578,871	3,263,399	3,409,013	2,946,809
Total Funds	**$2,578,871**	**$3,263,399**	**$3,409,013**	**$2,946,809**
Positions	8	8	8	7
FTE	7.50	7.50	7.50	7.00

Overview

The Board of Accountancy (BOA) is a seven-member citizen board that licenses and regulates approximately 9,300 certified public accountants (CPAs), public accountants (PAs), municipal auditors, and public accounting firms registered to practice in Oregon. The board is composed of five CPAs, one PA, and one public member. Board members are appointed by the Governor to staggered three-year terms and subject to confirmation by the Oregon Senate.

BOA's mission is to protect Oregon consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards and promulgated rules. Among its primary responsibilities, the agency develops minimum competency standards; issues and renews licenses; monitors continuing education requirements for licensees; and investigates complaints and takes disciplinary action against licensees and firms when appropriate. The agency has seven full-time staff to administer its licensing and compliance operations.

Revenue Sources and Relationships

BOA's revenues are principally derived from licensing, license renewals, and business registration fees, comprising approximately 94% of the agency's total revenues. The agency licenses about 8,300 individuals and 1,000 accounting firms. Individual licensees pay their renewal fees in June of every other year based on the last digit of their license, whereas public accounting firms pay their renewal fees in December of every odd-numbered year. The remaining revenue comes from civil penalties and fines, interest earnings, and sales of public information.

Historically, the agency collected examination processing fees from candidates seeking an Authorization to Test (ATT) for the national CPA exam. Prior to granting an ATT, the agency analyzed candidate transcripts from educational institutions to determine whether the transcripts satisfied the requisite statutory and administrative rule standards. After receiving an ATT from the agency, candidates then established a profile as an approved candidate in the national exam applicant database administered by the National Association of State Boards of Accountancy (NASBA) and received a Notice of Test Schedule (NTS) from NASBA for one or more sections of the national CPA exam. This process changed, however, in February 2023, when Oregon became the 36th jurisdiction in the United States to contract with NASBA to conduct examination processing on behalf of the agency. Candidate transcripts are now analyzed by NASBA instead of the agency, and NASBA now grants exam candidates both the ATT and NTS. The agency thus no longer collects examination processing fees, which is projected to reduce the agency's revenues from first-time and returning CPA exam candidates by $191,250 Other Funds in the 2023-25 biennium. While NASBA now conducts examination processing on behalf of the agency, candidates who have passed all sections of the national CPA exam wishing to practice in Oregon still need to apply for initial licensure from BOA. Consequently, the agency will continue to collect application processing fees from candidates seeking initial licensure.

In addition, HB 2110 (2023) removed the $100 statutory cap on the biennial renewal fee for auditors and accountants listed on the agency's roster of accountants authorized to conduct municipal audits. Although the agency can increase this fee through rulemaking, the agency continues to collect this fee at a rate of $100 per renewal. For that reason, HB 2110 is not anticipated to impact agency revenues this biennium.

BOA's 2023-25 projected ending balance is approximately $3 million Other Funds, which is equivalent to 24.7 months of operating reserves. This is the largest reserve balance based on number of months of all 19 budgeted professional licensing boards projected at the time of this writing. Contributing factors to the fund balance growth includes increased revenue from new licensees and decreased expenses due to prolonged position vacancies in 2021-23.

Budget Environment

BOA faced some significant challenges towards the end of the 2021-23 biennium. Chief among them were the termination of the agency's previous executive director and a near complete turnover of all agency staff during the last half of fiscal year 2022, during which time the agency had only two positions filled to meet its two core operations: licensing and compliance. For about seven months, the agency had no staff to conduct its licensing operations. As a result, the agency's compliance staff had to be temporarily diverted to maintain basic continuity of its licensing operations. Since compliance resources had to be diverted, the agency's processing times for inquiries, complaints, and case resolutions increased substantially. Consequently, the agency failed to meet most of its compliance-related key performance measures in fiscal year 2023.

While the agency struggled to issue licenses and process license renewals due to the staff turnover, the staff turnover precipitated some process improvements that increased the efficiency of the agency's licensing operations. The first was an administrative rule change that outsourced the processing of ATT applications for the national CPA exam to NASBA. Since the agency was understaffed, it was unable to quickly process ATT applications. Because examination processing is labor intensive, the agency outsourced examination processing to NASBA, since NASBA has greater experience with transcript analysis than the agency. The second was another administrative rule change that outsourced continuing professional education (CPE) audits of licensees on their licensure renewal applications to NASBA. Since NASBA already conducts CPE audits for several jurisdictions, NASBA is uniquely qualified to perform CPE audits on behalf of the agency. These process improvements have enabled the agency to process applications for initial licensure and license renewals more efficiently, which in turn has enabled the agency to reduce its total positions and FTE through economies of scale.

Currently, the agency regulates about 9,300 total licensees, which includes about 8,300 individual licensees and 1,000 firms. While the agency's licensee base is expected to remain stable this biennium, the CPA profession has been shrinking nationwide in recent years. An analysis by the American Institute of Certified Public Accountants (AICPA) recently found that approximately 1,000 licensed CPAs leave the profession each year nationwide. There were about 1.65 million accountants and auditors in 2022, according to the United States Bureau of Labor Statistics, which represents a decline of 15.9% since 2019. In addition, the number of candidates sitting for the national CPA exam have declined by 34% since 2016, reaching a high of 102,000 test takers in 2016 to a low of 67,000 test takers in 2022. The reasons for the decline in the CPA profession are because fewer people are pursuing college degrees, including degrees in accounting; the percentage of experienced CPAs leaving the profession prior to retirement age has dramatically increased; and the prevalence of generative artificial intelligence programs, which automate the performance of many accounting tasks. Notwithstanding these trends, the agency's licensing numbers indicate that the agency has been largely immune from the national CPA shortage. However, NASBA and AICPA voted in 2020 to proceed with the CPA Evolution licensure model, which will make significant changes to the national CPA exam in January 2024. It is unclear what, if any, impact the changes to the national CPA exam will have on the agency's licensing numbers in the 2023-25 biennium and beyond.

The agency's primary focus this biennium is to address the long-term deficit in the CPA education pipeline. The Legislature and the agency's governing board have directed the agency to reduce barriers to initial licensure, licensure reciprocity, and the CPA profession. For example, HB 2523 (2023) reduces the required number of hours of education to sit for the national CPA exam from 150 semester hours (225 quarter hours) to 120 semester hours (180 quarter hours), effective January 2024. With this change, Oregon becomes the 51st U.S. jurisdiction (including the District of Columbia and U.S. territories) to allow candidates to sit for the national CPA exam after completing 120 semester hours of qualifying education. This change is anticipated to make Oregon more competitive with states that have already lowered the educational requirement to 120 hours by incentivizing candidates to sit for the exam and become licensed in Oregon rather than taking the exam in another state and applying for a license another state. However, HB 2523 does not change the initial licensure requirements for CPAs, which still requires 150 semester hours (225 quarter hours) of education for initial licensure.

The agency's expenditures are projected to be relatively stable and consistent with prior biennia. While agencies will experience increased state government service charges and shared financial services costs in 2023-25, BOA has been able to reduce expenditures this biennium by reclassifying several positions, eliminating a long-term vacant position, moving to less expensive office space, reducing Attorney General expenditures, and outsourcing examination processing and CPE auditing to NASBA. The agency also developed a new online licensing system in the 2021-23 biennium, which allows all applicants, candidates, licensees, and firms to make payments online and update their demographics, addresses, ownership structures, CPE documentation, and other pertinent information. As a result, the agency has been able to process license applications and renewals more efficiently. The agency also implemented a more streamlined process for investigating and adjudicating complaints in the last few biennia, which until recently had dramatically reduced the backlog of cases pending board decision, post finding and total active cases in the board's docket. However, some of this progress was undone in the 2021-23 biennium, due to the agency suspending compliance operations in response to staff turnover.

Consistent with other licensing boards, the agency's primary challenge this biennium will be to shift its focus from compliance-related matters to licensing-related matters. Specifically, the board has directed the agency to reduce barriers to licensure, licensure reciprocity, and barriers to the CPA profession and improve the agency's relationships with its education partners and stakeholders.

<u>Legislatively Adopted Budget</u>
BOA's 2023-25 legislatively adopted budget totals $2.9 million Other Funds, which is a $316,590, or 9.7%, decrease from the 2021-23 legislatively approved budget. The budget does not include any significant policy option packages or program changes, as it was developed to enable the agency to continue its operational-level focus on improving program efficiency. The budget makes various reductions to the agency's personal services and services and supplies costs. These include:

- A reduction of $210,847 Other Funds from three position reclassifications, a reduction to the agency's Attorney General budget, reduced rental facility costs, and an increase of 0.50 FTE.
- A reduction of $180,403 Other Funds from eliminating a vacant Administrative Specialist 2 position (1.00 FTE).
- A revenue reduction of $191,250 Other Funds to account for lost revenue in the 2023-25 biennium and beyond from first-time and returning candidates for the national CPA exam, since NASBA now conducts examination processing for the agency.

The budget also includes reduced rental facility costs from the agency moving to less expensive office space and working remotely and various adjustments to statewide government service charges.

BOARD OF CHIROPRACTIC EXAMINERS

Analyst: Coates

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	1,685,453	2,173,510	2,291,220	2,570,046
Total Funds	**$1,685,453**	**$2,173,510**	**$2,291,220**	**$2,570,046**
Positions	6	6	6	6
FTE	5.10	5.10	5.10	5.75

Overview

The mission of the Board of Chiropractic Examiners is to serve the public, regulate the practice of chiropractic care, and ensure competent, ethical health care. The Board regulates Doctors of Chiropractic and Certified Chiropractic Assistants through examination, licensing, and disciplinary programs. The seven-member board is appointed by the Governor and composed of five chiropractic physicians and two public members.

Revenue Sources and Relationships

The Board of Chiropractic Examiners derives most (roughly 95%) of its revenue from the licensure of Chiropractic Doctors and Chiropractic Assistants. Civil penalties, recovery of legal costs, and miscellaneous fees account for the remainder. The 2023-25 legislatively adopted budget includes a 20% fee increase across all fee types. The Board deemed the fee increase necessary to sustain business operations, given the previous fee increase occurred during the 2013-15 biennium.

Budget Environment

The Board of Chiropractic Examiners has a history of higher-than-average costs associated with legal and investigative work. Addressing complaints, including sexual misconduct and billing fraud, often requires significant investigative resources and may result in substantial legal costs. The frequency of these complaints and the aggressiveness by which the Board pursues resolution places continuing importance on Attorney General service charges and professional services, which provides funding for expert third-party witnesses that are called to testify during administrative hearings.

Additionally, the Board has experienced an increase in complaints since the COVID-19 pandemic surrounding licensees' personal protective equipment use and non-use, proliferation of misinformation and claims on fraud via online sources, and lack of cultural competency and communication. The Board has since filled an Investigator 2 and Doctor of Chiropractic Health Care Investigator position and is currently addressing the backlog of cases.

Legislatively Adopted Budget

The legislatively adopted budget for the Board of Chiropractic Examiners totals $2.6 million Other Funds and includes six positions (5.75 FTE). The budget represents an increase of $396,536, or 18.2%, from the 2021-23 legislatively approved budget. The budget increases the Healthcare Investigator to full-time and reclassifies two existing positions due to increased workload. The adopted budget also includes additional expenditure limitation for implementation of a licensing database and the Board's transition to the Department of Administrative Services for information technology desktop support.

CONSTRUCTION CONTRACTORS BOARD

Analyst: Ruef

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	16,063,383	18,316,626	18,979,594	18,860,099
Total Funds	**16,063,383**	**18,316,626**	**18,979,594**	**18,860,099**
Positions	61	59	59	59
FTE	61.00	59.00	59.00	59.00

Overview

The Construction Contractors Board (CCB) provides consumer protection and regulates the profession of construction contracting by licensing or certifying construction-related businesses, such as contractors, home inspectors, lead-based paint renovators, locksmiths, flaggers, and home energy assessors. CCB investigates complaints, provides dispute resolution services, imposes fines for violations of Oregon laws, including failure to carry workers' compensation coverage, and ensures that new contractors meet statutory pre-licensing educational and testing requirements. The nine-member board is appointed by the Governor and composed of representatives of different segments of the construction industry as well as the public and local government.

Revenue Sources and Relationships

CCB derives most of its revenue from contractor licensing fees (approximately 91%) and the remainder from miscellaneous fees and civil penalties. The agency retains 20% of civil penalty collections; the remaining 80% of the funds are transferred to the General Fund. An estimated $916,432 will be transferred to the General Fund during the 2023-25 biennium.

The agency faces continued revenue challenges from a temporary 23% fee reduction (from $325 to $250 for a two-year license) implemented in 2017. The fee was restored to pre-2017 levels in July of 2021 but the forgone revenue has had lasting effects on the agency's fund balance and ability to invest in operational improvements. Further complicating CCB's revenue outlook is Oregon's economic forecast projecting a limited downward correction for the construction industry as a result of the economic conditions resulting from the COVID pandemic. Supply chain issues, material costs, labor shortages, inflation, and interest rate adjustments are projected to have some negative impact on the industry as a whole.

Over the past two biennia the agency has worked to mitigate its revenue challenges by keeping six positions vacant since 2020. This strategy helps keep a healthy ending fund balance and intends to accumulate enough reserves to finance the replacement of the agency's 30-year-old licensing system.

Budget Environment

CCB has seen a steady increase in licensees over the past three biennia with approximately 47,000 licensees during the 2021-23 biennium. While this has helped the agency to retain a healthy ending fund balance, it has not been enough to fully fund the licensing and enforcement system replacement and modernization project. The project received Stage Gate 1 certification from the Department of Administrative Services in February 2020. Work on Stage Gate 2 certification has begun with no specific timeline in place due to project funding uncertainty. The Board is currently reviewing changes in its fee structure to help fund the project and provide financial stability for operations.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Construction Contractors Board is $18.9 million Other Funds, which is $1.1 million, or 6%, higher than the 2021-23 legislatively approved budget. The budget includes the reclassification of three positions, which has a net-zero impact on the overall budget, along with increased limitation for inflation-related expenditures.

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

Analyst: Siebert

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,268,561	12,557,108	77,976	12,742,576
Other Funds	352,316,992	391,677,192	304,600,426	422,005,708
Other Funds (NL)	161,972,803	173,819,907	186,012,644	186,012,644
Federal Funds	112,256,327	126,930,616	14,981,339	135,295,281
Total Funds	**$627,814,683**	**$704,984,823**	**$505,672,385**	**$756,056,209**
Positions	957	952	950	973
FTE	949.73	941.65	948.00	967.77

Overview

The Department of Consumer and Business Services (DCBS) provides a broad range of consumer protection, health insurance access, and commercial regulatory services for the state. Outside of central services and administration, DCBS is organized into the following major programs: Workers' Compensation System, Division of Financial Regulation, and Building Codes Division.

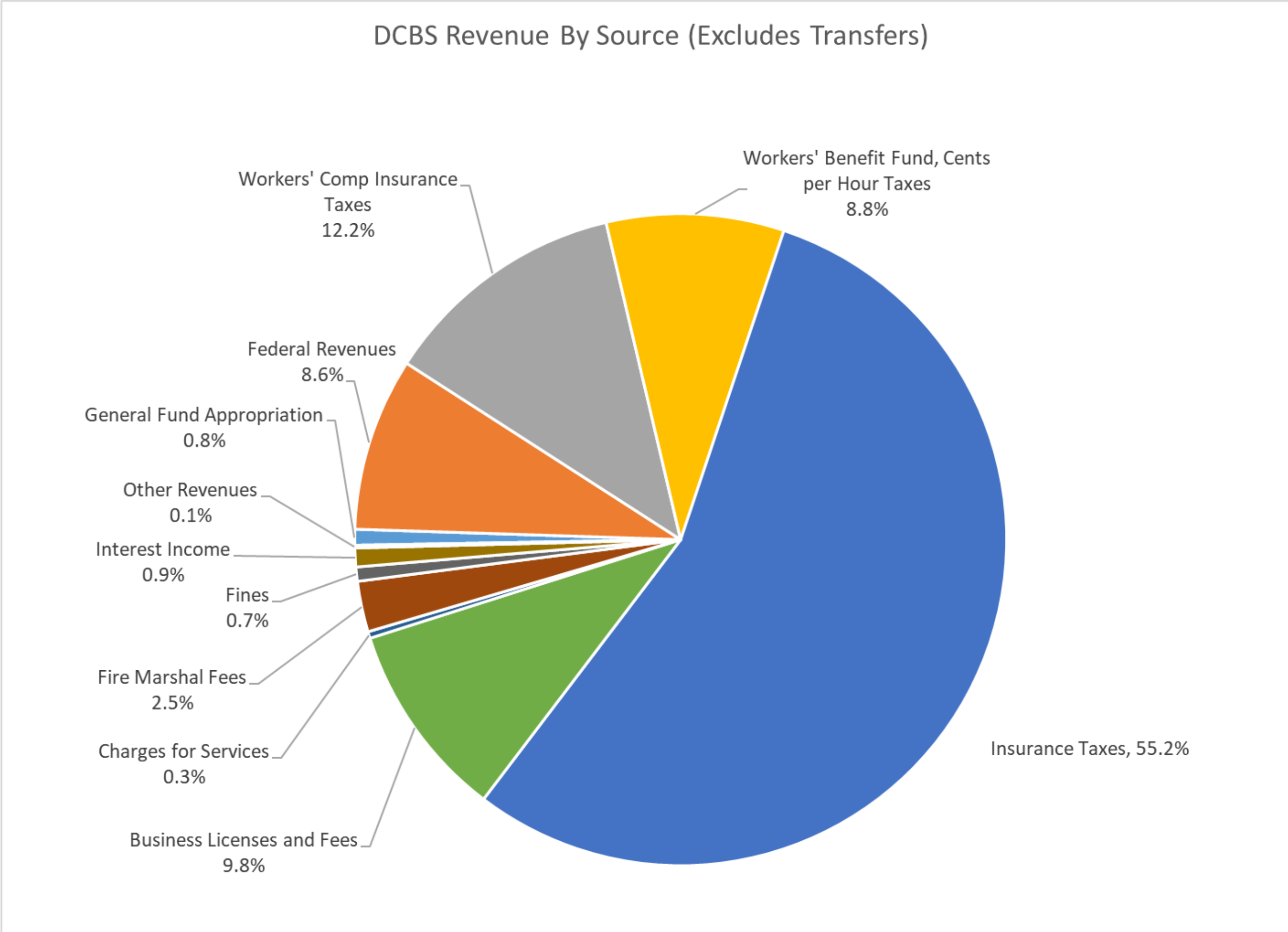
Workers' Compensation System (WCS) – WCS includes the Workers' Compensation Board, Workers' Compensation Division, and Oregon Occupational Safety and Health Administration (OR-OSHA). Approximately 48% of the agency's full-time equivalent staff is housed in these three programs. WCS administers the Workers' Benefit Fund supporting payments to injured workers if their employer failed to provide coverage, for benefit increases to permanently and totally disabled workers, for benefits for the survivors of workers killed in workplace injuries, and also return-to-work programs for injured workers. WCS maintains reserve accounts to finance workers' compensation payments to employees when self-insured employers become insolvent and are unable to make the payments. Approximately 10% of workers are employed by self-insured employers. Expenditures from these reserve funds and the Workers' Benefit Fund are treated as Other Funds Nonlimited.

Division of Financial Regulation (DFR) – The Division enforces the state's Insurance Code, including the review and approval of certain premium rates and the licensing of insurance companies (including financial regulation), agents, adjusters, and consultants; and assists consumers in resolving complaints against agents and companies. DFR regulates state-charted financial institutions (banks, credit unions, consumer finance companies, mortgage lenders, pawnbrokers, check cashers) and the sale of securities in the state, including the licensing of individuals who sell, advise, or manage investment securities. The Division also regulates prepaid funeral plans and maintains a reserve account to support consumers when these plans become insolvent or default on their obligations. Approximately 19.6% of the agency's FTE is housed in this Division.

Building Codes Division – The Building Codes Division enforces the laws and develops codes related to the building of structures and dwellings, manufactured structures, recreational vehicle parks and tourist facilities, plumbing, elevators, amusement rides, electrical safety, and boilers and pressure vessels. Approximately 13.7% of the agency's FTE is housed in the Buildings Codes Division.

Revenue Sources and Relationships

The agency is primarily funded by Other Funds. Over 500 dedicated fees, assessments, and charges support the operation of DCBS. Revenues in the 2023-25 legislatively adopted budget are projected to total $1.7 billion.



Approximately 11% of these revenues ($177.4 million) will be transferred to the General Fund. During the 2023-25 biennium, the agency is forecasted to transfer $144 million of retaliatory insurance tax revenue, $31.8 million in excess securities dealer licensing and securities registration fees, and $1.5 million of revenues from interest earnings, fees, and fines to the General Fund. Other Funds transfers include $40.4 million to the Department of the State Fire Marshal from an assessment the Department levies on insurance policies covering fire perils, $1.7 million to the Bureau of Labor and Industries Workers' Compensation related investigations, $584.3 million to the Oregon Health Authority for providing medical assistance and other health services defined by statute. In addition, $529,416 is transferred to counties to support the cost of building code inspection and enforcement programs and $427,000 to the Governor's Office for two workforce policy support positions.

The primary revenue source for the administration of the Workers' Compensation System is the Workers' Compensation Premium Insurance Tax. The tax is assessed against the earned premiums of insurers providing workers' compensation coverage, including: the State Accident Insurance Fund; private companies; and, self-insured employers and employer groups. The 2024 rate is 9.8% for non-self-insured employers, 9.9% for self-insured employers and public self-insured employer groups, and 10.3% for private self-insured employer groups. The revenue derived from the difference in the premium assessment rate for self-insured employers from the base rate of 9.8% is dedicated to funding the adjustment reserve accounts for self-insured employers and employer groups.

Workers' Benefit Fund revenue is primarily derived from a cents-per-hour assessment on all wages paid in Oregon. The 2023 rate was 2.2 cents per hour, the rate decreases to 2.0 cents per hours as of January 1, 2024, split evenly between employers and employees. A portion (1/16th of one cent) of the 2.0 cents-per-hour assessment is transferred into the Workers' Compensation Division to support a revenue transfer to the Oregon

Health and Science University, Oregon Institute of Occupational Health Sciences for research on occupational illness and disease.

Business licenses and fees support regulatory programs such as Building Codes and the Division of Financial Regulation. Interest earnings, fines, assessments, and other revenues support various Department programs, some of which are transferred to other agencies. The Oregon OSHA program receives $17.8 million in Federal Funds to support the federal OSHA program in Oregon. Federal Funds revenue is also received by the Building Codes program to provide consumer assistance to individuals with complaints about manufactured homes. Roughly $120 million in Federal Funds revenue is anticipated from section 1332 federal waivers to support the Oregon Reinsurance Program

Budget Environment

The economy and general economic activity are the primary factors that impact the revenues and operations of the agency. A growing economy generally increases the revenues and workload of the agency. Certain financial regulatory issues also generally increase when the economy declines, particularly regarding foreclosures, bank solvency, and the payday lending industry. Demographic issues, including an aging population and diversifying language base, will continue to factor into operations and services provided throughout the agency. Federal regulation, funding, and support are possible issues in the Financial Regulation, and Workers' Compensation System programs. As described below, the agency's budget environment is also impacted by ongoing and emerging issues related to workers' compensation technology modernization, prescription drug affordability, OR-OSHA funding, and development of a plan to achieve universal health care coverage.

Workers' Compensation Modernization Project – In 2019, the Workers' Compensation Division created a Modernization Program to provide strategic leadership and oversight for process, system, and application improvements. This program took an agency-wide look at business processes and systems to determine which projects will create the greatest value to agency's stakeholders and customers. Based on recommendations from the Joint Interim Committee on Information Management and Technology the agency received an increase of $1.7 million Other Funds in the 2019-21 legislatively adopted budget to hire a permanent program manager and contract information technology support for the initial work required for the business case and stage gate certification, including a program roadmap.

In addition, the agency received an increase of $1.5 million Other Funds in 2021-23 from the Workers' Compensation Premium Assessment fund balance to continue work towards stage gate 2 certification from the Department of Administrative Services (DAS) Enterprise Information Services for the first major project. This project implements the main system foundation that serves as the base for four future projects which will support the division's various program areas. Initial project implementation requires a year-long request for proposal (RFP) process as well as project planning and change management preparation. The RFP process is expected to begin in summer 2023, with the goal of system implementation beginning in summer 2024. Stage gate 2 certification for the main system foundation project is anticipated later in the 2023-25 biennium. Completion of this project is currently planned for the end of 2025.

Prescription Drug Affordability – Over the past two biennia, the agency has been given an increasing consumer protection role in the prescription drug market. To moderate prescription drug prices, the state passed the Prescription Drug Price Act (HB 4005) in 2018, which required pharmaceutical manufacturers and health insurers to file reports on prescription drug pricing. HB 2658 (2019) subsequently added more reporting requirements for pharmaceutical manufacturers. As a result, the agency's Division of Federal Regulation created the Drug Price Transparency program to provide oversite and produce the annual Prescription Drug Price Transparency Report. The program published its first report in fall 2019.

In the 2021 legislative session, the Oregon Legislature approved SB 844 establishing the Prescription Drug Affordability Board charged with identifying nine prescription drugs and at least one insulin product, which are creating affordability challenges or high out of pocket costs for patients in Oregon. The Board is to hold annual public hearings on the selected drugs and report to the Oregon Legislature on its findings. The Board will also study the prescription drug distribution and payment system and make recommendations on policies designed to lower the price of those drugs. The agency received a one-time General Fund appropriation of $3 million for startup expenses with the expectation the Board would be self-supporting in future biennia through fees collected from the prescription drug manufacturers, but rates have not yet been established.

Oregon OSHA Funding – In previous budget cycles, Oregon OSHA typically faces a revenue shortfall due to flat federal grant funding but increasing personal services costs. In past biennia, Oregon OSHA has requested these shortfalls be backfilled with Other Funds revenues, but the program did not do so in 2023-25 due to an unusually high supplemental Federal Funds allocation in the 2022 fiscal year. An increase in Other Funds expenditure limitation was approved to pay for the program's move from its long-time occupational safety and health lab in Portland to a new DAS-owned lab in Wilsonville. The program has expressed concern about the cost of the move and the increase in rent due to competing priorities for funding. The main flexible funding source for Oregon OSHA is the Workers' Compensation Premium Assessment, the same revenue source used to fund the modernization package described above. The additional rent would add approximately 0.5 percentage points to the Workers Compensation Premium Assessment for both 2024 and 2025, increasing it to 10.3% of premium.

Universal Health Plan Governance Board – New for the 2023-25 biennium is the Universal Health Plan Governance Board established by SB 1089 (2023). The Board will consist of nine members, tasked with designing the administrative structure for the Universal Health Plan, assessing institutional readiness, and collaborating with stakeholders such as hospitals, healthcare providers, insurers, and coordinated care organizations. The board is also required to develop a plan for establishing an independent public corporation and a separate trust fund. The Board will provide annual reports to the Legislative Assembly beginning December 1, 2024 and present a comprehensive plan for Universal Health Plan implementation by September 15, 2026.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget for the Department of Consumer and Business Services totals $756.1 million and includes 973 positions (967.77 FTE). The budget is a $51.1 million, or 7.2%, increase from the 2021-23 legislatively approved budget. In addition to current service level adjustments, the budget increase is primarily due to the following changes:

- *Workers' Compensation Modernization* – Increase of $6.4 million Other Funds and three positions (2.50 FTE) for planning and procurement of the agency's ongoing Workers' Compensation Modernization IT project.
- *Information Technology Support* – Increase of $2.5 million Other Funds and 11 positions (9.53 FTE) to expand IT capacity for projects, agency-wide services and support, internal security, data modernization, and training.
- *Consumer Advocacy* – Increase of $1.4 million Other Funds and four positions (3.52 FTE) to expand the Division of Financial Regulations' consumer advocacy group to address complaints against insurer and financial institutions as well as safe workplace community engagement for underserved communities.
- *Non-Depository Licensing* – Increase of $410,036 Other Funds and two positions (1.76 FTE) to reduce currently elevated processing times for license applications, particularly in its mortgage loan originator program.
- *Wildfire Mitigation* – Increase of $11.3 million General Fund and $5 million Other Funds to continue the Residential and Commercial Fire Hardening Grant Program established in the 2021 legislative session and support the Prescribed Fire Fund established in SB 80 (2023).
- *Climate* – Increase of $756,051 Other Funds and two positions (1.76 FTE) to support the agency's role in implementing greenhouse gas emission reduction measures outlined in HB 3409 (2023).

- Universal Health Governance Plan Board – Increase of $1.4 million General Fund and three positions (2.68 FTE) to provide leadership and admiration support to the Universal Health Governance Plan Board established by SB 1089 (2023).
- Data Broker Business Registration – Increase of $393,156 Other Funds and two positions (1.76 FTE) to administer the data broker licensing program established by HB 2052 (2023). The revenue generated from licensing fees will be allocated towards covering administration costs.
- Occupational Safety and Health Lab – Increase of $939,453 Other Funds to pay for moving costs and increased rent needed to move Oregon OSHA's occupational safety and health land from southeast Portland to a new DAS-owned facility in Wilsonville.

The largest single item included in the DCBS budget is one-time expenditure limitation of $101.8 million Other Funds and $120.1 million Federal Funds to allow the Department to make payments to insurers under the Oregon Reinsurance Program established by HB 2391 (2017). Expenditure limitation for this program is phased-out during the current service level process and then reestablished in a policy package. Revenues for the program are supported through temporary taxes on insurance and managed care premiums, fund balances transferred from a prior reinsurance program, and federal funding.

Workers' Compensation System

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	105,186,610	131,877,302	136,520,482	143,498,561
Other Funds (NL)	3,782,095	4,062,034	--	--
Federal Funds	13,063,959	16,882,847	14,556,518	14,556,518
Total Funds	**$122,032,664**	**$152,822,183**	**$151,077,000**	**$158,055,079**
Positions	468	466	464	466
FTE	464.88	462.00	462.50	464.88

Program Overview

The Workers' Compensation System is an umbrella program that covers five sub-programs working in a cooperative environment to ensure the prevention of worker injuries and provision of compensation insurance for injured workers. The program unit also provides services and benefits to return injured workers to work as soon as possible and resolve disputes regarding workers' compensation coverage and benefits in a timely and fair manner. As summarized below, the five programs that comprise the Workers' Compensation System include the Worker's Compensation Division, Oregon Occupational Safety and Health Administration, Workers' Compensation Board, Ombudsman for Injured Workers, and Small Business Ombudsman.

Workers' Compensation Division – Administers and enforces the provisions of workers' compensation insurance coverage law and provides some education and consultative services. The Division has six program areas: Administration, Operations, Compliance, Medical, Benefit Services, and Workers' Compensation Assessments. The Ombudsman for Injured Workers and the Small Business Ombudsman also report to the Division director. The 2023-25 adopted budget for the Division is $58.8 million Other Funds and 182 Positions, 182.00 FTE.

Oregon Occupational Safety and Health Administration (OR-OSHA) – Administers the Oregon Safe Employment Act and the federal occupational safety and health program. OR-OSHA provides a two-layer approach to occupational safety by providing consultative and instructional programs backed by enforcement action. Individual consultation is provided to businesses as well as general training and information through conferences and training literature. OR-OSHA investigates workplace fatalities, major accidents, and safety complaints in addition to regular inspections of worksites for safety and health violations. OR-OSHA's 2023-25 adopted budget is $55 million Other Funds, $14.6 million Federal Funds, and 205 positions (203.88 FTE).

Workers' Compensation Board (WCB) – Independent adjudicatory body overseen by a five-member board appointed by the Governor and confirmed by the Senate. Board members serve four-year terms. WCB is responsible for adjudicating contested Workers' Compensation cases and OR-OSHA citations, notices, and orders, and for reviewing administrative orders on appeal. The Board also conducts hearings and reviews of appeals of Oregon Department of Justice decisions regarding applications for compensation under the Crime Victim Assistance Program and resolves disputes between injured workers and workers' compensation carriers arising from civil actions against allegedly liable third parties. Offices are located in Portland, Salem, Eugene, and Medford. The Board also conducts hearings in eight other locations around the state. The WCB includes three divisions: Administrative Services, Hearings, and Board Review. The WCB's 2023-25 adopted budget is $29.6 million Other Funds and 79 positions (79.00 FTE).

Ombudsman for Injured Workers – Receives, investigates, and assists in resolving workers' compensation complaints. This program is supported by six positions (6.00 FTE) funded within the WCB budget.

Small Business Ombudsman – Assists small businesses in obtaining workers' compensation coverage, intervenes in premium determination problems, and provides educational and outreach services programs to small businesses. This program is supported by two positions (2.00 FTE) funded within the WCB budget.

Revenue Sources and Relationships

The primary revenue source for the administration of the Workers' Compensation System is the Workers' Compensation Premium Insurance Tax. The tax is assessed against the earned premiums of insurers providing workers' compensation coverage, including: the State Accident Insurance Fund; private companies; and self-insured employers and employer groups. The rate for calendar year 2023 is 9.8%; the rate as of January 1, 2024 will remain at 9.8% for non-self-insured employers, increase to 9.9% for self-insured employers and public self-insured employer groups, and increase to 10.3% for private self-insured employer groups. The revenue derived from the difference in the premium assessment rate for self-insured employers from the base rate of 9.8% is dedicated to funding the adjustment reserve accounts for self-insured employers and employer groups.

The Workers' Compensation program also anticipates receiving $2.5 million in interest income, as well as $4.8 million in other revenue, of which $3.9 million is from OR-OSHA fines and forfeitures. In addition, the OR-OSHA Division receives $17.8 million of Federal Funds to support the federal OSHA program in Oregon. The program transfers $1.6 million Other Funds to the Bureau of Labor and Industries to support workers' compensation-related investigations by that agency.

A portion (1/16th of one cent) of the 2.0 cents-per-hour assessment to support the Workers' Benefit Fund (see DCBS Nonlimited accounts below) supports an estimated revenue transfer in the amount of $7.6 million Other Funds Nonlimited to Oregon Health and Science University, Oregon Institute of Occupational Health Sciences for research on occupational illness and disease. Roughly $39 million in program revenues are transferred to the Central Services Division to support the administrative functions of the agency.

Budget Environment

Employment and economic activities dominate the budget environment for the Workers' Compensation System. The Oregon economy has displayed a blend of growth opportunities and challenges, significantly impacting the Workers' Compensation System. Job expansion in sectors like technology, healthcare, and professional services has contributed positively to employment rates.

The COVID-19 pandemic disrupted various industries, causing shifts in employment patterns and workplace dynamics. While some sectors faced setbacks due to restrictions, others, notably in technology and healthcare, adapted and even thrived. These changes impacted workers' compensation claims, especially concerning occupational health and safety for essential workers and the challenges of defining work-related injuries in remote work settings.

The transition to remote work and the reevaluation of workplace policies have emerged as significant factors affecting the Workers' Compensation System. The changing nature of work environments may lead to new types of injuries or illnesses, necessitating adjustments in how compensation claims are assessed and managed. Policy adjustments in response to economic conditions, employment trends, and emerging workplace needs can also indirectly influence the Workers' Compensation System. Legislative changes related to healthcare coverage, safety regulations, or unemployment benefits could impact the volume, nature, and cost of workers' compensation claims, thus affecting the system's financial health.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Workers' Compensation System totals $158.1 million and includes 466 positions (464.88 FTE). The budget is $5.2 million, or 3.4%, higher than the 2021-23 legislatively approved budget. The budget increase is primarily due to an increase of $6.4 million Other Funds and two positions (2.00 FTE) for the continuation of the Workers' Compensation Modernization IT project. In addition, the budget includes an increase of $665,074 Other Funds for Oregon OSHA to establish a community engagement coordinator (0.88 FTE) to better support underserved workers, and $799,891 Other Funds to pay for moving costs and increased rent to move Oregon OSHA's lab from southeast Portland to a new DAS-owned facility in Wilsonville. The program will share the new space with the Department of Agriculture and the Oregon Health Authority. As part of an agency-wide permanent finance plan, the budget also reclassifies three Office Specialist 2 positions to Administrative Specialist 1 positions and abolishes one Office Specialist 2 position (0.50 FTE), for a net reduction of one position (0.50 FTE) and $22,032 in Other Funds expenditure limitation.

Workers' Compensation Nonlimited Accounts

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Self-Insured Employers: Other Funds (NL)	429,005	800,000	800,000	800,000
Workers' Benefit Fund: Other Funds (NL)	156,879,293	164,512,434	180,912,434	180,912,434
Total Funds	**$157,308,298**	**$165,312,434**	**$181,712,434**	**$181,712,434**

Program Overview
The Workers' Compensation Nonlimited Accounts budget structure segregates the nonlimited expenditures from the Workers' Benefit Fund and the Self-Insured Employer and Self-Insured Employer Group Adjustment Reserve Accounts from the limited budget of the workers' compensation system. These expenditures primarily support payments to beneficiaries as opposed to the administrative expenditures of the program.

Revenue Sources and Relationships
Workers' Benefit Fund revenue is primarily derived from a cents-per-hour assessment on all wages paid in Oregon. The 2024 rate is 2.0 cents-per-hour split evenly between employers and employees. A portion (1/16th of one cent) of the 2.0 cents-per-hour assessment supports an estimated revenue transfer in the amount of $7.6 million Other Funds Nonlimited to the Oregon Health and Science University, Oregon Institute of Occupational Health Sciences for research on occupational illness and disease. Secondary revenue is from recovered claims costs from non-complying employers, fines, interest income, and other revenues. Assessments are set at a rate to cover existing and projected claims. The fund supports a variety of programs assist employers and injured workers.

Self-Insured Employer and Employer Group Adjustment Reserve funds are used to pay the claims of injured workers when they cannot obtain payment due to employer insolvency. This revenue is from premium taxes on worker's compensation insurance policies. The current base premium tax rate for workers' compensation insurance policies is 9.8%. Self-insured employers and self-insured employer groups are charged an additional premium of 0.1% and 0.5%, respectively.

Budget Environment
Each year, the Department reviews the rates for both the Workers' Compensation Premium Assessment and the cents-per-hour assessment for the Workers' Benefit Fund. DCBS lowered the Workers' Benefit Fund assessment rate from 2.8 cents-per-hour set in 2017 to 2.2 cents-per hour and increased the Employer at Injury wage subsidy from 45% to 50% in 2020. For calendar year 2024, the rate will decrease again to two cents-per-hour reflecting a continued effort to reduce the fund balance carried in the fund to comport with a SB 1558 (2014) requirement to maintain a balance of no less than six months of projected expenditures. Both assessment rates (Premium Assessment and Workers' Benefit Fund Assessment) and the Employer-at-Injury Program wage subsidy rate are all set by DCBS administrative rules.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Workers' Compensation Nonlimited Accounts totals $181.7 million. The budget is $16.4 million, or 9.9%, higher than the 2021-23 legislatively approved budget. This increase is due to an expenditure limitation technical adjustment to align the budget more accurately with anticipated expenditures.

Financial Regulation

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	1,679,374	51,646	5,000,000
Other Funds	128,625,782	162,342,915	64,565,416	172,564,608
Other Funds (NL)	3,087	694,911	694,911	694,911
Federal Funds	97,199,246	109,441,874	32,957	120,075,414
Total Funds	**$225,828,115**	**$274,159,074**	**$65,344,930**	**$298,334,933**
Positions	170	185	185	191
FTE	167.68	179.84	185.00	189.92

Program Overview
The Division of Financial Regulation operates two regulatory programs, the Insurance Program and the Finance and Corporate Securities program. The Insurance Program serves as the regulatory and consumer protection agency of the state for insurance products. The program licenses insurance companies, agents (producers), adjusters, and consultants to ensure compliance with Oregon insurance laws and competency in the insurance products sold by producers in the state. The program evaluates the financial soundness of insurance companies, availability and cost of insurance, and equitable treatment of the insured and claimants. The program provides independent customer advocacy and education, assists consumers in resolving complaints against agents and companies, enforces the Insurance Code, and collects and audits taxes of insurance companies.

Additionally, the Insurance program operates the following sub-programs:

- *Financial and Producer Regulation (FPR)* – Ensures the financial viability, collects applicable taxes, and regulates the entry of insurers in Oregon. FPR also establishes licensing criteria and monitors compliance of licensed producers.
- *Market Regulation* – Produces market conduct examinations and market analyses to determine insurer compliance with insurance laws and the performance of duties to policy holders. The program houses a consumer advocacy program, which investigates and resolves complaints against insurers and producers.
- *Product Regulation* – Reviews the forms and rates for certain insurance lines and monitors insurer's compliance with health insurance reforms.

The Finance and Corporate Securities (DFCS) program enforces laws and regulations related to the operation of financial service companies, financial products, and financial product dealers in Oregon. These include banks, credit unions, mortgage bankers, trust companies, security dealers, and a varied mix of consumer finance companies. DFCS also registers and regulates debt collectors and regulates, but does not require registration of, franchises. The program operates the following five sub-programs:

- *Banks, Trusts, and Credit Unions* – Provides charters for banks, trusts, and credit unions in Oregon and regulates and examines those state-chartered entities in coordination with federal regulators.
- *Securities* – Registers such offerings made in Oregon and licenses business and individuals selling securities or providing investment advice. The program maintains a consumer protection role by receiving consumer complaints regarding securities and securities dealers.
- *Mortgage Lending* – Licenses and examines mortgage bankers, manufactured structure dealers, brokers, and loan originators. The program maintains a consumer protection role by providing consumer education regarding mortgage lending and foreclosure counseling, as well as receiving consumer complaints.
- *Non-Depository* – Licenses, registers, examines, and investigates consumer finance companies, payday and title lenders, pawnbrokers, check cashing businesses, collection agencies, debt management service providers, money transmitters, prearranged funeral plans, and endowment care cemeteries.
- *Enforcement* – Provides division-wide investigation of violations and initiates administrative, civil, and criminal actions against violators.

Revenue Sources and Relationships
Three primary revenue streams support the Insurance program: insurance premium taxes, licensing fees, and the fire insurance premium tax. In addition to these, the program receives revenue from fines and fees on non-compliant insurers and producers, fees for testing and examinations, interest income, and federal grants. The program collects retaliatory taxes from out-of-state insurance companies. This tax typically represents the difference between the regulatory burden in the insurer's domiciled state and the regulatory burden in Oregon where the policy is written. This is done to equalize the regulatory cost of a foreign insurance company writing policies in Oregon with the regulatory cost of writing policies in the insurer's domiciled state. Retaliatory taxes, fines, and interest earnings are transferred to the General Fund. The projected transfer for the 2023-25 biennium is approximately $145 million. The fire insurance premium tax is collected by the Insurance program and transferred to the Department of the State Fire Marshal. The projected transfer for 2023-25 is $40.4 million.

DFCS is funded almost entirely with Other Funds from assessments on financial institutions, licensing fees charged to securities dealers and entities, fees charged for the registration of securities, examination fees, and investment income. Excess revenue from these fees is transferred to the General Fund. The program anticipates transferring $32 million to the General Fund in the 2023-25 biennium. A small amount of Other Funds Nonlimited revenue is recognized by the program for the purpose of providing restitution to purchasers of prearranged funeral services who have suffered losses due to services not being provided as contracted. The revenue to the fund is generated by a $5 per-contract fee paid by service providers. In addition, approximately $14.9 million in program revenue is transferred to the Central Services Division to support the administrative functions of the agency.

Budget Environment
The budget and workload of the Insurance program is closely tied to the number of Oregon domiciled insurers, insurers writing policies in Oregon, and producers (agents). For all the insurers doing business in Oregon, the program must review and approve premium rates, forms, and market conduct. Consumer protection and outreach functions are also impacted by the increasing sophistication and diversification of insurance products. Changes in demographics, such as increases in non-English speakers and aging populations, pose potential challenges to program operations and resource needs.

The workload of the Finance and Corporate Securities program varies somewhat with the economy. Declining economic conditions generally increase the workload of the program related to the regulation and the financial condition of financial entities. As the economy continues to fluctuate, the internal workload of the program may shift, but would not be expected to have a significant impact on workload.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Division of Financial Regulation is $298.3 million, which is an increase of $24.2 million, or 8.8%, from the 2021-23 legislatively approved budget. The budget increase is primarily attributed to a net increase of $18.8 million in Other Funds and Federal Funds expenditure limitation for the Oregon Reinsurance Program, established by HB 2391 (2017). Funding for this program is reassessed every biennium, resulting in the phase-out of program funding as part of the current service level budget process and re-establishment of funding in a policy package based on the program's impact on insurer rates and estimated reinsurance payments. Additional noteworthy budget increases include the following:

- $262,175 Other Funds and one permanent full-time position (0.88 FTE) to address increased review requirements for insurers' information systems (package 103). Funding for this increase is from DCBS' annual insurer assessment, the rate of which is set annually in rule by the department.
- $410,036 Other Funds and two permanent full-time positions (1.76 FTE) to reduce currently elevated processing times for license applications, particularly in the mortgage loan originator program (package 104). Funding for this package is from a variety of fees and assessments charged to the regulated industry; current fee levels are sufficient to support the additional staff.
- $252,607 Other Funds and one permanent full-time position (0.88 FTE) to review the work of staff who examine the numerous financial filings made annually by insurers (package 105). Funding for this adjustment is from DCBS' annual insurer assessment, the rate of which is set annually in rule by the department.
- $3 million Other Funds and eight permanent full-time positions (8.00 FTE) to continue to build and support the platform needed to support the Prescription Drug Affordability Board established by SB 844 (2021). Funding for the package is from a combination of internal borrowing and fees which are yet to be proposed. The package is expected to be fully funded with fee revenue by the 2025-27 biennium.
- $695,825 Other Funds and three positions (2.64 FTE) to expand the Division of Financial Regulation's consumer education team, providing additional staff to handle complaints against insurers, one to respond to complaints against banks, credit unions and other financial institutions, and an additional manager to address a high supervisor to employee ratio (package 107). Funding for this increase is from a blend of the funding sources the division uses to operate.
- $393,156 Other Funds and two positions (1.76 FTE) to administer the data broker licensing program established by HB 2052 (2023). Revenue generated from licensing fees will be allocated towards covering these administration costs.
- $5 million in one-time General Fund and a one-time increase of $5 million Other Funds to establish the Prescribed Fire Claims Fund for claims from losses arising from prescribed cultural burns required by SB 80 (2023).

Building Codes

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	10,693,448	9,678	6,300,000
Other Funds	36,670,875	44,550,727	46,915,818	46,579,019
Other Funds (NL)	3,295	--	--	--
Federal Funds	220,639	273,802	31,118	302,603
Total Funds	**$36,894,809**	**$55,517,977**	**$46,956,614**	**$53,181,622**
Positions	134	135	134	133
FTE	134.00	135.00	134.00	132.76

Program Overview

The Building Codes Division (BCD) is responsible for the enforcement of laws and development of codes related to the building of structures and dwellings, manufactured structures, recreational vehicle parks and tourist facilities, plumbing, elevators, amusement rides, electrical safety, and boilers and pressure vessels. With assistance from seven boards representing specialty areas, the Division develops, adopts, and interprets statewide building codes for residential and commercial construction; oversees the fabrication, installation, and repair of boilers and pressure vessels; issues licenses and construction and operating permits; investigates license and code violations; and provides continuing education for licensees. The Division conducts inspections of recreational vehicles, manufactured homes, prefabricated structures and components, and operating elevators. The Division also tests and certifies construction inspectors and tests and licenses plumbers and electricians. BCD provides code inspection services in areas of the state where cities and counties choose not to provide local services or do not have adequate resources to meet state requirements.

Revenue Sources and Relationships

The revenues for BCD programs are primarily Other Funds from surcharges on permit fees, building permits, licensing, civil penalties, and interest income. BCD receives Other Funds revenue from the registration of ownership documents filed by owners of manufactured structures. The fee that is paid by the person or entity recording the change in ownership to the local tax assessor is forwarded to the Division and then a portion is returned to the county assessor for the cost of processing the transaction.

The program receives Federal Funds revenue to provide consumer assistance to individuals with complaints about manufactured homes. In addition, one-time General Fund of $6.3 million is included in the 2023-25 budget to complete the fire hardening grant program established by the Wildfire Recovery Initiative in the 2021 legislative session. This funding was appropriated for a grant program to incentivize residential and commercial fire hardening for rebuilding and repairing dwellings and other structures that were destroyed or damaged in the 2020 wildfires. In addition, approximately $10.4 million in program revenues are transferred to the Central Services Division to support the administrative functions of the agency.

Budget Environment

The Building Codes Division's budget and workload are notably linked to the construction industry, which is greatly influenced by the economy. In recent biennia, the economy has shown consistent growth, leading to a resurgence in construction activity within the state. However, the economic forecast for Oregon's 2023-25 biennium anticipates a modest downturn in the construction sector due to the lingering effects of the COVID pandemic. Factors such as supply chain disruptions, escalating material costs, labor shortages, inflation, and expected adjustments in interest rates are forecasted to exert a negative impact on the industry.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Building Codes Division is $53.2 million and includes 133 positions (132.76 FTE). The budget is $2.3 million, or 4.2%, lower than the 2021-23 legislatively approved budget. This decrease is driven by the phase-out of $4.3 million of one-time General Fund approved as part of a series of wildfire recovery investments approved in the 2021 legislative session. The wildfire funding for DCBS was approved for a grant program to incentivize residential and commercial fire hardening for rebuilding and repairing dwellings and other structures that were destroyed or damaged in the 2020 wildfires.

Other notable budget adjustments include a $756,051 Other Funds expenditure limitation increase and two positions (1.76 FTE) to serve as subject matter experts on energy efficiency and the building code as it relates to energy performance standards and rule adoption required by HB 3409 (2023). In addition, a $1.8 million net increase and reduction of three positions (3.00 FTE) results from a combination of current service level adjustments for position cost alignment and a permanent finance plan.

Central Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	184,286	16,652	--
Other Funds	69,164,600	52,468,815	56,598,710	59,363,520
Other Funds (NL)	876,028	3,750,528	3,605,299	3,605,299
Federal Funds	309,202	363,929	360,746	360,746
Total Funds	**$70,349,830**	**$56,767,558**	**$60,581,407**	**$63,329,565**
Positions	162	166	167	180
FTE	160.92	164.81	166.50	177.53

Program Overview

The Central Services program operates the common administrative functions of each agency operating division and provides overall agency leadership. Overseen by the Director's Office, the division operates within three key subprograms: Communications, Employee Services, and Central Services itself, which comprises Financial Services, Information Technology, and Facility Operations. The Director's Office provides overall agency leadership, policy direction, general supervision of all programs, and liaison with other levels of government and the public. The following summarizes each Central Services functional program:

- *Communication Services* – Provides outreach and information on rules, policies, and data, including interactive Internet forms for both English and non-English speaking Oregonians.
- *Employee Services* – Provides human resources support, facilities services, mail services, telecommunications, safety services, risk management, and training to the agency.
- *Fiscal and Business Services* – Delivers centralized purchasing and accounting services, collection services, payroll, purchasing, printing, ordering, and contract management services.
- *Information Management Division* – Delivers information technology strategy and standards and agency data analysis and reporting.
- *Facilities Operation* – Provides maintenance, telecommunications, mail, and purchasing services.

Revenue Sources and Relationships

The Central Services Division is primarily funded with Other Funds from revenue transfers of $61.8 million from the Department's operating divisions. The budget also includes $3.6 million Other Funds Nonlimited from the Workers' Benefit Fund to cover direct costs of certain administrative functions and collection costs for debt owed to the department. Federal funds of $381,400 from the U.S. Bureau of Labor Statistics and matching funds from Workers' Compensation Premium Assessments fund an annual survey of work-related and fatal injuries.

Budget Environment
The workload and budget environment of the Central Services Division is directly impacted by the budget environments of the agency's operating divisions. These include changes in the economy, consumer behavior, federal regulations, insurance and health care needs, and information technology changes.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Central Services totals $63.3 million and includes 180 positions (177.53 FTE). The budget is $6.6 million, or 11.6%, higher than the 2021-23 legislatively approved budget. The increase is primarily due to investments in information technology support totaling $2.5 million Other Funds and 12 positions (10.03 FTE) to expand capacity for projects, agency-wide services and support, internal security, data modernization, and training. An increase of $333,501 in Other Funds expenditure limitation and one position (1.00 FTE) for financial and budgeting support is also included.

Universal Health Plan Governance Board

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	--	--	1,442,576
Total Funds	**--**	**--**	**--**	**1,442,576**
Positions	--	--	--	3
FTE	--	--	--	2.68

Program Overview
The Universal Health Plan Governance Board was established in SB 1089 (2023). The Board consists of nine members appointed by the Governor to represent various health care professions and community perspectives. The Board is tasked with designing the administrative structure for the Universal Health Plan, assessing institutional readiness, and collaborating with stakeholders such as hospitals, healthcare providers, insurers, and coordinated care organizations. Board members are also required to develop a plan for establishing an independent public corporation and separate trust fund. The Board will provide annual reports to the Legislative Assembly beginning December 1, 2024 and present a comprehensive plan for Universal Health Plan implementation to the Legislative Assembly and the Governor by September 15, 2026. The budget structure for this newly established program is for DCBS' lead role in supporting the Board. Additional funding is included in the Oregon Health Authority's 2023-25 budget to support its role in assisting the Board.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Universal Health Plan Governance Board totals $1.4 million General Fund and three positions (2.68 FTE). The positions include one permanent full-time Compliance and Regulatory Manager 2 to serve as the executive director, provide leadership to the Board and the program, oversee contract administration and the required legislative report. The remaining positions include one permanent full-time Administrative Specialist 2 to support the manager, conduct board administrative tasks, and facilitate meetings; and one permanent full-time Operations and Policy Analyst 4 to assist with contract administration, conduct legal research, and collect data. Additional costs funded within the $1.4 million budget include $500,000 per biennium for three contracts to provide actuarial, medical, data, analytical or other professional expertise; $170,632 for administrative services, such as payroll, IT support, and financial services to the Board and staff; $41,020 for an estimated 140 hours of consultation with the Attorney General; and $54,252 for staff driven costs such as travel, training, and office expenses.

BOARD OF DENTISTRY

Analyst: Coates

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	3,270,097	3,859,254	4,142,862	4,241,950
Total Funds	**$3,270,097**	**$3,859,254**	**$4,142,862**	**$4,241,950**
Positions	8	8	8	8
FTE	8.00	8.00	8.00	7.62

Overview

The mission of the Board of Dentistry is to promote high quality oral healthcare in Oregon by regulating dental professionals. The Board regulates the practice of dentistry and dental hygiene through examination, licensing, and disciplinary programs. The Board also establishes standards for the administration of anesthesia in dental offices and establishes standards for training and certification of dental assistants. The ten-member board is appointed by the Governor and composed of six dentists, two dental hygienists, and two public members.

Revenue Sources and Relationships

The agency is funded by revenue generated from application, renewal, and license and permit fees. Other miscellaneous sources include fines for late renewals, civil penalties, interest income, and the sale of mailing lists and copies of public records. License and permit fees make up about 90% of the Board's revenue. The Board increased all fee types effective August 2023. HB 5044 (2023) ratified dental therapist application fees and dental therapist biennial licensure fees that were adopted through the administrative rules process and approved by the Department of Administrative Services during the 2021-23 biennium.

Budget Environment

The Board has seen very modest growth in new and renewed licenses since 2013. As of June 30, 2023, the Board has approximately 3,649 licensed dentists, 4,300 licensed dental hygienists, and 16 licensed dental therapists. During the COVID-19 pandemic, 695 licensees allowed their license to expire, and 170 licensees retired. However, the Board anticipates the number of licensees and its regulatory workload to increase in the 2023-25 and 2025-27 biennia.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Board of Dentistry totals $4.2 million Other Funds and includes eight positions (7.62 FTE). The budget is an increase of $382,696, or 9.9%, from the 2021-23 legislatively approved budget. The 2023-25 budget includes the elimination of one vacant Business Operations Manager 2 position (1.00 FTE), funding for one Health Care Investigator position (1.00 FTE) that was previously unbudgeted and funded through a vacant Business Operations Manager 2 position, and the reduction of one Health Care Investigator from 1.00 FTE to 0.50 FTE starting January 1, 2024. Additionally, Other Funds expenditure limitation increased by $94,065 for outsourcing Dental Assistant Certifications to the Dental Assistant National Board, which will allow the agency to recognize $123,255 in certification revenue received from the board.

The adopted budget also includes one budget note that directs the Board of Dentistry, in consultation with the Department of Administrative Services (DAS) Chief Financial Office and Oregon Medical Board, to review the most cost effective and efficient approach to transition the agency's budget and accounting services from the Oregon Medical Board to DAS Shared Financial Services beginning in the 2025-27 biennium. The Board is required to submit a report on its findings to the Joint Interim Committee on Ways and Means before January 2024.

HEALTH-RELATED LICENSING BOARDS

Analyst: Morse-Miller

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	7,068,455	8,695,557	9,168,717	9,326,352
Total Funds	**$7,068,455**	**$8,695,557**	**$9,168,717**	**$9,326,352**
Positions	24	23	23	24
FTE	23.00	22.15	22.15	23.00

Overview

The Health-Related Licensing Boards (HRLB) are six independent licensing boards combined into one agency for the purposes of budget reporting and sharing of resources. These boards separately license and regulate mortuary and cemetery services, naturopathic physicians, occupational therapists, medical imaging technicians, speech-language pathologists and audiologists, and veterinary medical service providers. Each board retains independent statutory authority and has a separate expenditure limitation within the budget bill that is approved by the Legislature. The six boards share information technology services through an interagency agreement. Additionally, most of the boards share a common office suite in the Portland State Office Building, a conference room, printers, and copiers.

Revenue Sources and Relationships

The six boards are entirely supported with Other Funds revenues from application, examination, licensing, registration, and certification fees; civil penalties; and other miscellaneous sources of revenue. Each board has its own independent revenues and expenditures. Two of the Boards (the Board of Naturopathic Medicine and Occupational Therapy Licensing Board) increased fees for the 2023-25 biennium to offset increasing administrative costs.

Budget Environment

The boards' main activities are licensing, regulatory compliance, investigation, and education. Generally, most of the boards are experiencing increases in complaints and investigations. The COVID-19 pandemic has also impacted board licensing numbers, with some boards seeing an increase in out-of-state licensees who either travel to Oregon to work for a short period of time or provide services via telemedicine. Other boards have seen a decline in the number of licensees, generally due to burnout and early retirements in certain professions during the COVID-19 pandemic.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget totals $9.3 million Other Funds and 24 positions (23.00 FTE). The budget is a 7.3% increase from the 2021-23 legislatively approved budget.

More detail follows for each individual board.

Mortuary and Cemetery Board

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	2,235,895	2,915,294	3,090,191	3,072,727
Total Funds	**$2,235,895**	**$2,915,294**	**$3,090,191**	**$3,072,727**
Positions	7	7	7	7
FTE	7.00	7.00	7.00	7.00

Overview

The Oregon Mortuary and Cemetery Board (OMCB) is responsible for licensing and regulating the practice of individuals and facilities engaged in the care, preparation, processing, transportation, and final disposition of human remains. The Board licenses or registers funeral service practitioners, embalmers, apprentices, interns, pre-need salespeople, funeral establishments, immediate disposition companies, cemeteries, and crematories. The 11-member Board is appointed by the Governor and includes two funeral service practitioners, one embalmer, three cemetery representatives, one crematory operator, and four public members, with one public member from an association representing older adults.

Revenue Sources and Relationships

The Board is funded solely by Other Funds, with operational revenue primarily derived from license and examination fees, and a $14 portion of the $30 death report filing fee. Individual and facility licenses renew in alternate years of the biennium and death report filing fees are billed monthly to death care facilities.

In addition to the Board's general operations expenses, $16 of the $30 death filing fee funds the Indigent Disposition Program (IDP). The IDP was established in 1993 to provide licensed funeral establishments an opportunity to seek reimbursement for costs incurred while taking care of the final disposition of unclaimed indigent bodies. In 2015, the Legislature reworked the requirements of the program, moving management from the Oregon Health Authority to OMCB. The death filing fee increased from $20 to $30 as of January 1, 2022, with the additional $10 going to the IDP Fund; the fee had not previously been increased since 2009. This increase is anticipated to keep the fund solvent through 2026.

The Board should generally maintain six months of operating reserves due to the license renewal cycle; however, the Board may be able to operate with a lower cash balance due to regular revenues generated by the death filing fee. The Board's ending balance for the 2023-25 biennium is projected to total $1.9 million, equivalent to 15.2 months of operating reserves. The Board has carried over a large ending balance for many years and has not raised licensing fees since 2004.

Budget Environment

Licensing numbers: OMCB has seen a decrease in the number of individual licensees because of consolidation in the industry, as well as many people aging out of the profession. Additionally, the number of licensees maybe have been impacted due to practitioners who affected by the demands of the COVID-19 pandemic. Due to an error in licensee counts prior to the 2019-21 biennium, it is not possible to discuss a longer-term trend of attrition in the profession. However, between the 2019-21 biennium and the beginning of the 2023-25 biennium, the total number of licensees decreased from 1,830 to 1,764.

Changing role in regulation: Legislation passed in recent years authorized alternative disposition practices including alkaline hydrolysis and natural organic reduction. While few licenses have been issued to provide these services in Oregon, changes to how people choose to handle disposition of human remains will require the Board to adopt different licensing and inspection processes and to adapt to the differing demands of these practices. Laws around licensing and regulation of funeral homes, funeral service practitioners, and other aspects of this industry vary widely across the United States. Given that there is no uniform approach to regulation of this industry, the agency will likely need to continue to evolve to ensure that they are protecting and meeting the needs of Oregonians.

Inspections: The Board is required by statute to perform physical inspections every biennium of licensed death care facilities in the state. These inspections ensure that providers are held accountable for protecting public health, while records inspections ensure providers are held accountable for training apprentices, documenting care performed, and maintaining contracts for pre-purchased services. The Board entered the 2021-23 biennium with an inspections backlog due to staff vacancies, but was able to complete all inspections required over the course of the biennium. Inspectors conducted virtual inspections throughout the COVID-19 pandemic and returned to conducting inspections in-person in 2022.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $3.1 million represents a 5.4% increase from the 2021-23 legislatively approved budget. The budget is the current service level budget with no additional policy option packages.

Board of Naturopathic Medicine

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	977,717	1,079,025	1,168,614	1,126,409
Total Funds	**$977,717**	**$1,079,025**	**$1,168,614**	**$1,126,409**
Positions	4	3	3	3
FTE	4.00	3.00	3.00	3.00

Overview

The mission of the Oregon Board of Naturopathic Medicine (OBNM) is to protect the public by licensing and regulating naturopathic physicians and certifying practitioners qualified to perform natural childbirth. The Board determines the qualifications and fitness of applicants for licensure; establishes standards of professional responsibility, practice, and continuing education for licensees; and investigates complaints concerning violations of those standards and determines the appropriate sanction when a violation is found. The seven-member Board is appointed by the Governor and includes five licensed naturopathic physicians and two public members.

Revenue Sources and Relationships

The Board is funded solely by Other Funds revenue, primarily from license, certification, and examination fees. The Board operates on an annual license renewal cycle with most active licenses renewed in November and December each year.

The Board increased fees in 2020 and again in 2023. For the 2023-25 biennium, all annual license renewal fees, lapsed license restoration fees, and jurisprudence exam fees will increase by $50. A new application processing fee of $50 was also implemented. Funds will offset higher personal services costs related to Board stipends, pay equity, and cost of living adjustments, as well as increased rent costs.

Due to the license renewal cycle, the Board requires an ending balance equivalent to approximately six months of operating expenses. Updated projections show the Board ending the 2023-25 biennium with a balance of $258,630 Other Funds, equivalent to 5.5 months of operating funds.

Budget Environment

The number of licensees for this board has continually increased due to the growing popularity of naturopathic medicine for primary health care, insurance companies providing benefits for naturopathic care, and increased enrollment of students at naturopathic accredited colleges. However, it is anticipated that the number of licensees will stagnate or perhaps even decrease in coming years, due to a nationwide trend of lower enrollment at naturopathic colleges.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $1.1 million represents a 4.4% increase from the 2021-23 legislatively approved budget. The 2023-25 legislatively adopted budget includes expenditure reductions of $34,270 to increase the agency's ending balance.

Occupational Therapy Licensing Board

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	506,804	707,899	769,780	722,881
Total Funds	**$506,804**	**$707,899**	**$769,780**	**$722,881**
Positions	2	2	2	2
FTE	1.75	1.65	1.65	1.50

Overview

The mission of the Occupational Therapy Licensing Board (OTLB) is to protect the public by supervising occupational therapy practice to assure safe and ethical delivery of occupational therapy services. The Board sets the standards of practice, issues licenses to qualified applicants, investigates complaints, and takes appropriate disciplinary action when necessary. The five-member board is appointed by the Governor and includes two licensed occupational therapists, a licensed occupational therapy assistant, and two public members.

Revenue Sources and Relationships

The Board is funded solely by Other Funds, received from license application and renewal fees, limited permit fees, civil penalties, the sale of licensee lists, and interest.

A fee increase was approved for the 2021-23 biennium and another fee increase approved for the 2023-25 biennium. The fee increase for the 2023-25 biennium includes increasing license renewal fees for occupational therapists from $200 to $240, and occupational therapist assistant renewals fees from $140 to $160; and increases the initial application fees for both types of licenses by $40. Funds will offset higher personal services costs related to Board stipends, pay equity, and cost of living adjustments, as well as increased rent costs.

The Board's ending cash balance for the 2023-25 biennium is projected to be $368,990, equivalent to approximately 12.3 months of operating reserves. The Board requires the equivalent of nine months of operating reserves as biennial license renewals start eight months into each biennium.

Budget Environment

The Board has seen steady growth in licensee numbers. Since 2007 the number of occupational therapy licensees in Oregon has more than doubled, going from approximately 1,500 licensees in 2007 to around 3,000 practitioners as of early 2020. License renewals declined in 2020 and 2022 due in part to the COVID-19 pandemic, which caused some therapists to retire earlier than planned. Licensing numbers have started to rebound near pre-pandemic levels due to new entrants to the profession, and an increasing number of people from out of state who temporarily work in Oregon.

The number of people training in occupational therapy in Oregon continues to grow, judging from increased demand at schools of occupational therapy in Oregon, including programs at Linn-Benton Community College and Pacific University. Two additional programs are planned at Western Oregon University and George Fox University. While licensee growth has currently slowed, the Board may face increasing pressures on services as licensee growth rebounds, and likely continues to expand in the future.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $722,881 represents a 2.1% increase from the 2021-23 legislatively approved budget. The budget has reductions totaling $42,474, including a reduction of 0.15 FTE, to increase the Board's ending balance.

Board of Medical Imaging

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	1,197,693	1,435,584	1,569,834	1,552,893
Total Funds	**$1,197,693**	**$1,435,584**	**$1,569,834**	**$1,552,893**
Positions	4	4	4	4
FTE	3.50	3.75	3.75	3.75

Overview
The Oregon Board of Medical Imaging (OBMI) promotes, preserves, and protects the public health, safety, and welfare of Oregonians undergoing medical imaging performed by licensees for the purpose of medical diagnosis and therapy. The 12-member Board is appointed by the Governor and includes four licensed physicians who represent different medical specialties, three public members, and one member from each of the five major medical imaging modalities (MRI technology, nuclear medicine technology, radiation therapy, radiology therapists, and limited x-ray machine operators). The Board establishes licensure standards; oversees initial examinations for limited x-ray machine operators; provides oversight and authorization to educational institutions that offer initial education programs for limited x-ray permits; and investigates violations of licensure statutes and rules.

Revenue Sources and Relationships
The Board is funded by Other Funds primarily from initial licensing and renewal application fees charged to medical imaging technologists from the following modalities: MRI, nuclear medicine, radiation therapy, radiography, sonography, and limited X-ray machine operators. A license or permit expires biennially on the first day of the birth month of the licensee. The Board also receives revenues for limited scope examinations, as well funds from civil penalties and interest.

It is generally recommended that the Board have six months of operating reserves, however, OBMI may be able to operate with a lower cash balance since revenue is received year-round as licenses are renewed. The Board's ending balance for the 2023-25 biennium is projected to total $1.3 million, equivalent to 19.8 months of operating reserves. This high ending balance is the result of a fee increase in 2021 coupled with an unanticipated increase in licensees, as well as increased civil penalty collections. The Board recently began enforcing a rule which holds facilities responsible for employing individuals to practice medical imaging without a current Oregon license or permit. This infraction carries a daily fine.

Budget Environment
Over the past three biennia, the total number of licensees has increased by nine to 12% annually. The total number of licensees has increased by more than 50% since legislation was passed in 2009 that added a state licensure requirement for sonography, MRI, and nuclear medicine. The Board has also seen an increase in licensees from out of state who became licensed to temporarily work in Oregon.

Disciplinary and compliance cases have increased in tandem with the increase in licensure. The Board has seen an average of 75 disciplinary cases per year over the past three biennia. These trends will result in increases to the agency's licensing and regulatory costs.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $1.6 million represents an 8.2% increase from the 2021-23 legislatively approved budget. The budget is the current service level budget with no additional policy option packages.

Board of Speech-Language Pathology and Audiology

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	951,881	1,178,713	1,148,280	1,246,369
Total Funds	**$951,881**	**$1,178,713**	**$1,148,280**	**$1,246,369**
Positions	3	3	3	3
FTE	3.00	3.00	3.00	3.00

Overview
The mission of the Board of Speech-Language Pathology and Audiology (BSPA) is to protect the public by licensing and regulating the performance of speech-language pathologists, speech-language pathology assistants, and audiologists. The Board regulates these professions through licensing and ongoing monitoring of licensees, including investigating professional competence and conduct. The eight-member Board, appointed by the Governor, includes two audiologists, two licensed speech-language pathologists, one speech-language pathology assistant, one medical doctor who holds Board certification from the American Board of Otolaryngology, and two public members.

Revenue Sources and Relationships
BSPA is supported solely by Other Funds. Most agency revenue comes from licensing fees, with the remainder provided through delinquent fees, civil penalties, interest income, and sales of mailing lists. License renewals are done on a biennial basis, and all regular licenses must be renewed by December 31 of odd numbered years to be considered timely. This creates a very uneven revenue cycle with 90% of BSPA's revenue historically realized in November through January of each new biennium.

The Board's projected ending cash balance for the 2023-25 biennium is anticipated to be $343,887, equivalent to approximately 6.6 months of operating reserves. Due to the biennial license renewal cycle, the Board requires six months of operating reserves.

Budget Environment
The number of BSPA licensees has increased by approximately 10% each biennium over the past 15 years. In the most recent two-year reporting period, the number of licensees increased from 3,058 in July 2020 to 3,510 in July 2022, an increase of 14% over the biennial licensing period. The agency has seen an increasing number of out of state residents obtaining licenses for the provision of telepractice services to Oregonians from their home states. More than 55% of all new licensees lived out of state in 2021 and 2022. Increasing numbers of licensees could lead to increased need for regulatory or licensing resources.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $1.2 million represents a 5.7% increase from the 2021-23 legislatively approved budget. The budget includes an increase in expenditure limitation of $107,000 for increased legal costs and licensing expenses due to the increased number of licensees.

Veterinary Medical Examining Board

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	1,198,465	1,379,042	1,422,018	1,605,073
Total Funds	**$1,198,465**	**$1,379,042**	**$1,422,018**	**$1,605,073**
Positions	4	4	4	5
FTE	3.75	3.75	3.75	4.75

Overview

The Oregon Veterinary Medical Examining Board (OVMEB) protects animal health and welfare, public health, and consumers of veterinary services by regulating veterinary professionals in Oregon under the statutes and rules of the Veterinary Practice Act. OVMEB establishes licensing requirements and monitors the professional conduct of veterinarians, veterinary technicians, euthanasia shelters, and euthanasia technicians; registers and inspects veterinary facilities; investigates consumer complaints; and disciplines licensees found to be in violation of the Veterinary Practice Act. The eight-member board is appointed by the Governor and includes five veterinarians, two public members, and one certified veterinary technician.

Revenue Sources and Relationships

OVMEB is supported solely by Other Funds. The majority of agency revenue comes from applications, examinations, and license fees, with the remainder provided through the sale of license lists and civil penalties. Almost all license types must be renewed annually by December 31.

The Board's projected ending cash balance for the 2023-25 biennium is anticipated to be $475,823, equivalent to approximately 7.1 months of operating reserves. Due to the license renewal cycle, the Board requires six months of operating reserves. The agency may need to increase fees for the 2025-27 biennium.

Budget Environment

The Board conducts annual pharmacy inspections, as well as triennial full facility inspections, for the approximately 670 registered and non-exempt veterinary facilities in Oregon. Pharmacy inspections can be completed remotely and as a result, the agency has a high rate of completion for these inspections. However, due to the COVID-19 pandemic, full facility inspections were paused for two years. Full facility inspections resumed as of July 1, 2022, and OVMEB now appears to be on track to clear the inspections backlog.

During the pandemic, a significant increase occurred in the number of animal adoptions. This has resulted in an increased caseload for OVMEB. Between 2013 and 2020, the agency saw an average of 57 complaints each year. Complaints nearly doubled starting in 2021, with 111 cases opened. In 2022, this rose to 140 complaints, and the agency had fielded 177 complaints in the first 11 months of 2023. OVMEB anticipates that case numbers will continue to remain at a heightened level.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $1.6 million represents a 16.4% increase from the 2021-23 legislatively approved budget. The 2023-25 budget includes one new permanent, full-time investigator position (1.00 FTE) at a total cost of $195,285 Other Funds, to assist with the increased investigation caseload.

BUREAU OF LABOR AND INDUSTRIES

Analyst: Ruef

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	13,801,443	43,003,037	24,034,529	31,822,914
Lottery Funds	147,875	270,809	--	297,187
Other Funds	12,382,430	16,315,452	16,214,579	18,527,853
Other Funds (NL)	399,493	938,700	938,700	938,700
Federal Funds	1,305,792	1,903,363	2,042,922	2,050,945
Total Funds	**$28,037,033**	**$62,431,361**	**$43,230,730**	**$53,637,599**
Positions	110	150	138	157
FTE	106.96	138.92	135.25	145.05

Overview

The Bureau of Labor and Industries (BOLI) is responsible for the administration and enforcement of a broad range of state laws regarding employment, civil rights, public accommodation, wages, sick leave, and work schedules. In addition, the Bureau approves and registers skilled labor apprenticeship programs, collaborating with employers, higher education and community colleges, the employment department, and local workforce agencies. The agency maintains a Technical Assistance for Employers program that provides training opportunities, printed materials, and telephone inquiry responses to educate employers on issues of compliance to workplace and employment laws. BOLI also adjudicates and offers - where applicable - alternative dispute resolution of contested wage and hour and civil rights cases.

The Agency is organized into four divisions with responsibilities in three broad program areas:

- Civil Rights: Enforcement of laws that prohibit unlawful discrimination in employment, housing, public accommodation, and career schools. These protections are provided based on race, color, national origin, sex, religion, age, marital status, sexual orientation, disability, and injured worker status. Protection is also provided against retaliation for filing civil rights complaints, and for reporting illegal activity (“whistleblower” protection) or violations of family leave laws.
- Wage and Hour: Enforcement of laws relating to wages and hours worked, including prevailing wage rates on public works contracts, and terms and conditions of employment; investigation of claims and complaints from workers involving wages and working conditions, including minimum wage and overtime; protection of children in the workplace; enforcement of regulations pertaining to private employment agencies; licensing and regulation of farm, forest, and construction labor contractors and janitorial firms; and enforcement of newly-enacted sick leave requirements.
- Apprenticeship and Training: Regulation of apprenticeship programs that promote the development of a highly skilled workforce.
- Commissioner’s Office: Policy direction, distribution of information to the public, interpretation of labor and civil rights law, issuance of proposed and final orders in contested cases regarding civil rights and wage and hour cases, provision of information and training to employers, and support for central administrative services.

Revenue Sources and Relationships

At 59.3%, the General Fund comprises over half of the Bureau’s support. The Bureau’s Other Funds are primarily from a portion (equal to 0.03 of 1%) of unemployment insurance taxes paid by employers in one calendar quarter each biennium. This revenue, which is assumed at $7.4 million in the 2023-25 biennium, is deposited into the

Wage Security Fund to pay final wages to employees whose employers cease operations and default on wages owed. The agency is also projected to receive approximately $550,000 from interest earnings and recovery of payments from defaulting employers. Expenditures from the Wage Security Fund are Nonlimited when used to pay final wages to employees. Such payments are projected to total $938,700 during the 2023-25 biennium. The Wage Security Fund is also used for administrative expenses, which are budgeted as Other Funds. Of the $15.7 million in Other Funds expenditure limitation for the 2023-25 legislatively adopted budget, $5.3 million is from Wage Security Fund revenue spent on agency administration.

The Prevailing Wage Rate program is funded through assessments on public works construction contracts, in the amount of $5 million for 2023-25. Fees for publications, seminars, and presentations on employment law generate $1.6 million for the Technical Assistance for Employers program in the Commissioner's Office. Contract services with the Department of Consumer and Business Services (DCBS) for investigation of discrimination complaints against injured workers and against workers who have reported safety and health hazards will result in $1.7 million. Additionally, the Wage and Hour Division's licensing of farm, forest, and construction labor contractors and janitorial firms is expected to yield $400,000 in licensing fees.

The Apprenticeship and Training Division receives a transfer of funds from the Department of Transportation of up to $3.6 million. The Division conducts supportive services and outreach efforts aimed at preparing and increasing the number of women and minorities in heavy highway construction jobs. The agency received Veterans Service Funding (Lottery Funds) on a one-time basis in the 2019-21 and 2021-23 biennia to fund a position to promote apprenticeship and training opportunities amongst members of the Oregon National Guard returning from deployment. The position has made inroads in establishing various public and private partnerships through outreach to veterans' groups and service organizations. This position was made permanent in the 2023 legislative session with ongoing Veterans Service Funding (Lottery Funds) support.

Budget Environment

Workload for BOLI's largest two Divisions is primarily complaint driven. Complaints and claims investigated by BOLI include unpaid wages, working conditions, and violations of civil rights and fair housing protections. Prevailing wage rate claims fluctuate primarily based on how much public funds are being spent in construction and what types of construction is occurring with those funds. Wage Security Fund claims have historically mirrored changes in Oregon's economy, but after the latest expansion in HB 4087 (2020), the usage reflects a larger number of workers seeking payment when their employer refuses to cooperate. Apprenticeship registration generally reflects trends in the labor market, including the amount of construction occurring in Oregon; however, as both state and federal laws have required apprenticeship utilization and incentivized registered apprenticeship programs in more industries than just construction, the workload has also increased.

New laws often impact the number of inquiries to the Wage and Hour Division, Civil Rights Division or the Employer Assistance program, as workers and employers seek information about rights, applicability, and compliance. With new laws like Paid Leave Oregon, one inquiry might take significantly longer than an inquiry related to a simple long-standing law. The following table illustrates the Division's workload, as measured by inquiries, investigations, and new registrations:

Division/Activity	2019	2020	2021	2022
Wage and Hour - Inquiries	32,539	35,178	38,761	38,866
Wage and Hour - Claims Filed	1,055	1,397	1,838	3,180
Wage and Hour - Investigations	1,046	1,070	1,633	1,687
Civil Rights - Inquiries	48,690	44,359	44,372	44,907
Civil Rights - Cases Filed	1,918	1,699	1,825	1,810
Apprenticeship - New Registration	4,267	2,862	3,721	4,270
Tech. Assistance for Employers - Inquiries	24,481	23,872	17,220	15,272
Tech. Assistance for Employers - Trainings	194	154	144	194
Administrative Prosecution - Contested Cases	92	119	126	123

The Wage and Hour Division has seen a significant increase in inquiries, claims filed, and investigations over the past four years putting pressure on the agency's staff and resources, including a significant backlog of claims. With nearly double the claims filed from 2021 to 2022, the Wage and Hour Division only investigates a portion of claims within its jurisdiction. Further straining agency resources is a civil rights questionnaire backlog of approximately 1,300 which is expected to diminish over time due to the addition of 17 positions (16.88 FTE) since the beginning of the 2019-21 biennium. Capacity has also been challenging in the legal, human resources, and public records areas for the growing agency.

The 2022 Annual Performance Progress report for BOLI indicates an overall improvement in customer satisfaction rates. However, challenges consistently exist in meeting targets for timely processing of Civil Rights and Wage and Hour complaints over the past two years. BOLI attributes this decline in performance to a variety of factors: staff vacancies, increased complaints and claims, and an inadequate case management system within the Civil Rights Division. Similarly, the Wage and Hour Division has faced challenges due to a substantial increase in complaints, staff turnover, and an insufficient case management system. In contrast, the agency surpassed previous performance standards in the Apprenticeship and Training Division.

Legislatively Adopted Budget

The agency's 2023-25 legislatively adopted budget totals $53.6 million and includes 157 positions (145.05 FTE). The budget represents an $8.8 million, or 14.1%, decrease from the 2021-23 legislatively approved budget. This decrease is primarily due to the elimination of one-time General Fund from the 2021-23 budget for work on agricultural worker overtime authorized by HB 4002 (2022) and workforce development (i.e., Future Ready Oregon) authorized by SB 1545 (2022). The adopted budget also includes the following investments:

- Future Ready Oregon: Increase of $1.7 million General Fund and three limited-duration positions (1.50 FTE) to continue the Future Ready Oregon apprenticeship grant program established in the 2022 legislative session.
- Administrative Support: Increase of $750,668 General Fund and three positions (2.64 FTE) to support agency administration in human resources, legal counsel, and public records.
- Caseload Capacity: Increase of $415,038 General Fund, $553,535 Other Funds, and three positions (4.40 FTE) to the Wage and Hour and Civil Right Divisions to address an increase in wage and hour claims and backlog of civil rights cases.
- Apprenticeship Support: Increase of $215,670 General Fund, $297,187 Lottery Funds, and two positions (1.88 FTE) to support apprenticeship outreach for Eastern Oregon and Veterans.
- ODOT Highway Diversity Apprenticeship Project: Increase of $1.5 million Other Funds to double the project, which supports diverse apprentices in the heavy highway trades.
- Firefighter Apprenticeship Program: Increase of $5 million General Fund and one position (0.88 FTE) to administer a grant program for firefighter apprenticeship pilot programs established by HB 2294 (2023).
- Workforce Requirements: Increase of $258,239 General Fund and one position (0.88 FTE) to implement contractor requirements for outreach and recruitment and retention of women, minority individuals and veterans established by HB 2649 (2023).
- Healthcare Provider Staffing Plans: Increase of $188,577 General Fund and eight positions (1.00 FTE) to address increased workload associated with resolving complaints related to requirements established by HB 2697 (2023).

Commissioner's Office and Program Support Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	4,636,742	8,326,789	6,640,347	7,933,812
Other Funds	3,560,120	3,879,090	4,284,127	4,223,489
Federal Funds	283,084	328,465	318,808	318,808
Total Funds	**$8,479,946**	**$12,534,344**	**$11,243,282**	**$12,476,109**
Positions	28	32	32	35
FTE	27.54	31.50	32.00	34.64

Program Description

The Commissioner's Office and Program Support Services Unit provides overall policy direction and management for the Bureau. The program units are:

- Commissioner's Office/Legal Policy: The Commissioner's office provides strategic planning, legal policy, public information, and intergovernmental relations for the agency. Twelve positions comprise the Commissioner's Office, including the Commissioner, Deputy, Director of Legislative Affairs, executive support (two positions), Public Affairs and Communications Manager, Human Resources Manager, Administrative Law Officer, Legal Policy Advisor, Administrative Law Judge, public records support (two positions), and a DEI position.
- Business Services: Six positions provide centralized fiscal services including accounting, purchasing, payroll, budget development, and contract administration. Information Services also resides within Business Services, consisting of three employees that implement and maintain computer information systems and user support functions.
- Administrative Prosecution Unit: Provides adjudication (convenes administrative law proceedings) and alternative dispute resolution of contested cases for wage and hour claims; prevailing wage violations; farm, forest, and construction labor contractor violations; child labor violations; and civil rights complaints. The Chief Prosecutor and a staff of three administrative prosecutors (Compliance Specialist 3) and a case coordinator make up the personnel in this unit.
- Technical Assistance for Employers Unit: A total of seven BOLI employees assist employers by providing online information and tailored employment law handbooks, a telephone technical assistance line, and customized workshops and seminars regarding employment law, lawful employment practices, wage and hour laws, and civil rights requirements.
- Advisory bodies: Advise the Labor Commissioner on policy issues in their respective subject matters. This includes the State Apprenticeship and Training Council, Prevailing Wage Rate Advisory Committee, Oregon Council on Civil Rights, and the Expression of Milk in the Workplace Advisory Committee.

Revenue Sources and Relationships

The Commissioner's Office/Support Services Unit receives 63.6% of its support from the General Fund. Other Funds revenues include $1.6 million in fee and services revenue collected by the Technical Assistance for Employers Unit from participating employers for seminars and on-site presentations of Civil Rights and Wage and Hour laws, lawful employment practices, and the sale of employer reference handbooks and composite workplace postings. Additional Other Funds are received from miscellaneous fees, portions of the Wage Security Fund revenue, and Prevailing Wage Rate fees that are allocated to the Commissioner's Office to support central administrative costs and the costs of conducting administrative law hearings. Federal Funds are from an Equal Employment Opportunity Commission (EEOC) contract and are used to cover costs associated with the investigation of complaints dually filed with BOLI and the EEOC.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Commissioner's Office and Program Support Services Unit totals $12.5 million and includes 35 positions (34.64 FTE). The budget represents a $58,235, or 0.5%, decrease from the 2021-23 legislatively approved budget. Budget adjustments include:

- Reduction of $1.6 million one-time General Fund for the move of the agency's Portland headquarters to a new facility.
- One permanent Human Resources Manager position (0.88 FTE) to address the agency's human resources needs.
- One permanent Administrative Law Officer position (0.88 FTE) to serve as the main clearinghouse for all legal matters. This position will supervise BOLI's Administrative Law Judges, provide BOLI-centric legal advice, address agency liabilities, and support the employer assistance group.
- One permanent Administrative Specialist 2 position (0.88 FTE) to assist in the Agency's growing public records request workload. Public records request fees will be established to pay for this position in future biennia.

Civil Rights Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	3,772,667	8,713,132	9,885,526	9,643,050
Other Funds	1,545,338	1,820,522	2,002,329	2,004,794
Federal Funds	1,022,708	1,574,898	1,724,114	1,732,137
Total Funds	**$6,340,713**	**$12,108,552**	**$13,611,969**	**$13,379,981**
Positions	31	49	49	48
FTE	30.50	47.50	48.50	47.38

Program Description
The Civil Rights Division enforces laws that prohibit unlawful discrimination in employment, housing, public accommodation, and career schools. These protections are provided based on race, color, national origin, sex, religion, age, marital status, sexual orientation, disability, and injured worker status. Protection is also provided against retaliation for filing civil rights complaints, for reporting illegal activity ("whistleblower" protection), and for violations of family leave laws. The Division processes employment discrimination complaints for the Oregon Occupational Safety and Health Administration (OR-OSHA) and Workers' Compensation Division (both part of DCBS). The Civil Rights Division also evaluates complaints regarding housing discrimination and access to public facilities such as retail establishments, transportation, or career schools. The Division operates under a work-share agreement with the federal Equal Employment Opportunity Commission for cases that fall under both state and federal law, including civil rights laws, the Americans with Disabilities Act, and the Age Discrimination in Employment Act.

Revenue Sources and Relationships
The Civil Rights Division expects to receive approximately $500,000 from OR-OSHA and $1.2 million from the Worker's Benefit Fund in DCBS. These funds are used to investigate allegations of discrimination against injured workers. Interagency agreements between these two entities have recently been renegotiated to cover more of the agency's average cost per investigation than in previous biennia. The EEOC provides about $1.3 million Federal Funds to the Division's budget in the form of reimbursement on a per-case basis. The average cost of the Division's investigations is approximately $3,600; costs related to any post-investigation administrative or legal action are not included in this figure. Reimbursements from the EEOC, the Injured Worker Fund, and the Occupational Safety and Health Administration also help to support investigative costs. The remaining cost per case is subsidized primarily by General Fund.

Budget Environment

In 2023, approximately 92% of the complaints received by the Civil Rights Division are related to employment issues. The five most common types of employment complaints are as follows: 32% for whistleblower retaliation; 21% for disability-related issues; 20% for religious discrimination (a notable increase from 2% in 2022); 17% for sex-related complaints, including issues related to sexual orientation, gender identity, pregnancy, and sexual harassment; and 13% for sick leave and family leave concerns. Since a single complaint can be based on multiple factors, these percentages sum to more than 100%. Beyond employment, 6% of all complaints pertained to housing-related matters and 2% of complaints concerned places of public accommodation.

The 49,475 inquiries in 2023 resulted in approximately 2.028 formal complaints. Approximately 60% of cases closed in 2023 were after a full investigation. To effectively respond to inquiries and complaints within existing resources, BOLI employs a triage system, intended to focus resources on the most egregious violations or most significant harm, and to expedite the closure of cases unlikely to result in a finding of unlawful discrimination. Complaints are categorized as follows:

- "A" type complaints are those persuasively alleging an egregious violation and/or significant harm, with indications that substantial evidence is likely. These complaints receive investigation, with the goal of swift adjudication.
- "B" type complaints clearly allege violations resulting in at least some harm but are less clear about whether the violations can be proven. These cases take up most of the investigators' time.
- "C" type complaints are expected to be dismissed quickly, as there is a low probability that the complainant can provide substantial evidence to support the allegation. These cases usually result in an interview with the complainant and review of any documents submitted to ensure that relevant factors were not overlooked. The cases may be upgraded, but if no additional evidence is presented, the cases are usually dismissed.

Legislatively Adopted Budget

The Civil Rights Division 2023-25 legislatively adopted budget totals $13.4 million and includes 48 positions (47.38 FTE). The budget represents a $1.3 million, or 10.5%, increase from the 2021-23 legislatively approved budget. The budget increase is due to inflationary factors and the addition of one permanent full-time Conciliator (Compliance Specialist 3) position (0.88 FTE) to improve the efficiency of the system by prioritizing mediation as a means of avoiding lengthy legal disputes funded by $207,519 General Fund.

Wage and Hour Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	2,763,386	3,717,050	4,335,012	4,226,682
Other Funds	4,702,160	6,968,023	7,618,945	8,662,293
Other Funds (NL)	399,493	938,700	938,700	938,700
Total Funds	**$7,865,039**	**$11,623,773**	**$12,892,657**	**$13,827,675**
Positions	35	43	43	55
FTE	33.50	37.75	41.25	45.77

Program Description

The Wage and Hour Division receives claims and complaints from workers involving wages and working conditions, including minimum wage and overtime, and protects children in the workplace through enforcement of the state Child Labor Law. The Division also enforces regulations pertaining to private employment agencies, conducts wage surveys, publishes prevailing wage rates for public works projects, enforces the Prevailing Wage Rate Law, and licenses and regulates farm, forest, construction, and property service (janitorial) labor contractors.

Revenue Sources and Relationships
The Wage and Hour Division expects to receive $4.6 million from assessments on public construction contracts for the Prevailing Wage Rate (PWR) program, and $400,000 in licensing fees for labor contractor licenses for the 2023-25 biennium. The Wage Security Fund is dedicated to the payment of final wages for employees whose employers cease operations and default on final paychecks. The agency is projected to receive $7.4 million for the Fund in the 2023-25 biennium from a portion (equal to 0.03%) of the unemployment insurance taxes paid by employers in the last calendar quarter of the prior biennium. Out of the total in Wage Security Fund revenues, the Division is projected to spend $938,700 for actual wage claims as Other Funds Nonlimited. Approximately $5 million of Wage Security Fund revenues are spent on administration as Other Funds.

Budget Environment
The Wage and Hour Division reports receiving 39,182 inquiries in 2023. The division investigated or closed 2,430 wage claims in 2023, which is a 44% increase in completed investigations compared to 2022. This increase is due to a shift in staff resources beginning in April 2023 to focus on the backlog of wage claims in the division. The division continues to see an increase in the number of wage claims received. In 2023, the division received 3,775 wage claims, which represents a 19% increase compared to 2022. The division currently averages 300 wage claims per month. Approximately 82 claims for unpaid wages were paid from the Wage Security Fund. Twenty-nine projects were determined to be subject to prevailing wage laws in 2023, and the Prevailing Wage Rate Unit completed 54 investigations. The Division issued a combined total of 840 licenses to farm, forest, construction labor, and janitorial service contractors. The Wage and Hour Division's investigations are primarily complaint driven.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Wage and Hour Division totals $13.8 million and includes 55 positions (45.77 FTE). The budget represents a $2.2 million, or 19%, increase from the 2021-23 legislatively approved budget. The budget includes the following increases:

- $207,519 General Fund and one permanent full-time Conciliator (Compliance Specialist 3) position (0.88 FTE) to improve the efficiency of the system by prioritizing mediation as a means of avoiding lengthy legal disputes.
- $553,535 Other Funds and two permanent full-time Compliance Specialist 3 positions (1.76 FTE) to expand wage claim investigation capacity in the Wage and hour Division.
- $188,577 General Fund and eight positions (1.00 FTE) to address increased workload associated with resolving hospital employee complaints related to requirements established by HB 2697 (2023).

Apprenticeship and Training Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	2,628,648	22,246,006	3,173,644	10,019,370
Lottery Funds	147,875	270,809	--	297,187
Other Funds	2,574,812	3,647,817	2,309,178	3,637,277
Total Funds	**$5,351,335**	**$26,164,692**	**$5,482,822**	**$13,953,834**
Positions	16	26	14	19
FTE	15.42	22.17	13.50	17.26

Program Description
The Apprenticeship and Training Division promotes the development of a highly skilled workforce through partnerships with government, labor, business, and education, and provides apprenticeship opportunities for individuals. The eight-member Oregon State Apprenticeship and Training Council is chaired by the Labor Commissioner and provides policy direction and approves local apprenticeship committees and their occupational

standards. The Division conducts regular compliance reviews of the local committees to ensure that apprentices are being treated fairly and are receiving the best possible training. The Division also works in partnership with educators, employers, and students, including cooperative efforts with school-to-work programs to ensure that adult apprenticeship standards are connected to core competencies identified at the high school level.

Revenue Sources and Relationships

Until the 2009-11 biennium, the Apprenticeship and Training Division was almost exclusively funded with General Fund. Since 2009-11, BOLI has had an interagency agreement with the Department of Transportation to manage a program to diversify the heavy highway construction workforce by expanding outreach, training, and support services to women, minorities, and young adults. The program is funded by up to $3.6 million per biennium of federal transportation dollars that BOLI expends as Other Funds.

The Division received one-time support from the Veterans' Service Fund (Measure 96 Lottery Funds) in the 2019-21 and 2021-23 biennia to fund a position to promote apprenticeship and training opportunities among members of the Oregon National Guard returning from deployment. This position was made permanent in the 2023 legislative session with support from the Veterans' Service Fund.

Budget Environment

The Division works with educators and employers to develop youth apprenticeship and apprenticeship preparation programs and conducts compliance reviews for the Oregon State Apprenticeship and Training Council, to ensure that programs are acting in accordance with their standards and that all apprentices are being treated equally. More recently, BOLI has begun to increase its emphasis on direct outreach to employers, youth, and prospective apprentices to promote apprenticeship as a cost-effective way to develop necessary skills and meet Oregon's workforce needs. These efforts include collaboration with the Higher Education Coordinating Commission, Employment Department, and local workforce investment boards to educate employers outside the building trades about apprenticeship, and work with them to develop apprenticeship training programs and a pipeline of registrants that meet the skilled industry needs in their regions.

According to BOLI's data, 5,873 Oregon employers utilized registered apprenticeships in 2023. Apprenticeship program registrations fluctuate with the economy and have been boosted by a strong construction industry within a similarly strong economy. BOLI reports that the number of apprentices in the agency's certified programs has reached 10,553 by September 2023. Apprenticeship completions are dependent on jobs being available to provide the needed hours of on-the-job training and retention of active apprentices. A total of 2,569 apprenticeship completions were recorded in 2023, compared with 2,064 in 2022.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Apprenticeship and Training Division totals $13.9 million and includes 19 positions (17.26 FTE). The budget represents a $12.2 million, or 46.7%, decrease from the 2021-23 legislatively approved budget. The budget includes the following adjustments:

- Phase-out of $18.9 million in one-time General Fund appropriated for workforce development in SB 1545 (2022).
- One-time General Fund appropriation of $5 million and one limited duration Grants and Loans Program Manager position (0.88 FTE) approved by HB 2294 (2023) to administer a grant program for up to 10 pilot projects for firefighter apprenticeship programs.
- One-time General Fund appropriation of $1.7 million and three limited duration positions (1.50 FTE) to continue the Future Ready Oregon apprenticeship grant program established in the 2022 legislative session.
- Increase of $1.5 million Other Funds for the Department of Transportation Highway Diversity Project to support diverse apprentices in the heavy highway trades.

- Ongoing General Fund appropriation of $258,239 and one permanent full-time Procurement and Contracts Specialist 2 position (0.88 FTE) for the oversight of apprenticeship outreach requirements established by HB 2649 (2023).
- Ongoing General Fund appropriation of $188,577 and eight permanent full-time positions (1.00 FTE) to investigate hospital-related meal and break violation complaints in accordance with mandates established by HB 2697 (2023).
- Ongoing Lottery Funds of $297,187 to make permanent the Veterans Outreach Coordinator position (1.00 FTE) established in 2017.
- Ongoing General Fund appropriation of $215,670 to make permanent the Eastern Oregon apprenticeship support position (1.00 FTE).

MEDICAL BOARD

Analyst: Ruef

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	12,974,016	17,346,295	17,906,656	18,442,127
Total Funds	**$12,974,016**	**$17,346,295**	**$17,906,656**	**$18,442,127**
Positions	41	42	42	42
FTE	41.00	42.00	42.00	42.00

Overview

The Oregon Medical Board (OMB) is a 14-member board appointed by the Governor and confirmed by the Senate. Membership is composed of seven medical doctors, two doctors of osteopathic medicine, one podiatric physician, one physician assistant, and three public members. Beginning in 2024, the number of medical doctors will be reduced to six positions and physician assistants will be increased to two positions due to the passing of HB 2627 in the 2023 legislative session.

The agency licenses medical doctors, doctors of osteopathic medicine, podiatric physicians, physician assistants, and acupuncturists; investigates complaints against licensees and takes disciplinary action when a violation of the Medical Practice Act occurs; monitors licensees who have come under disciplinary action; and works to rehabilitate and educate licensees whenever appropriate. The Board is also responsible for the scope of practice for first responders and emergency medical technicians.

Revenue Sources and Relationships

OMB is a single-program agency that receives 97% of its revenue from licensure and registration fees. Other miscellaneous revenue includes the sale of lists and directories, and fines or forfeitures imposed as disciplinary measures. Included with the licensure and registration fee revenue are amounts statutorily required to be collected by OMB that are subsequently passed through to other entities. The pass-through revenue includes the following:

- $10 for each in-state physician licensed by the Board, with the revenue transferred to the Oregon Health and Science University to maintain a circulating library for the use of medical professionals and students.
- $35 per year for each person licensed by the Board who is authorized to prescribe or dispense controlled substances, with the revenue transferred to the Oregon Health Authority to support a prescription monitoring program.
- $2 imposed on each license renewal that supports the actual cost of obtaining and reporting information on demographics and employment of certain health care licensees by the Oregon Health Policy Board.

Revenue in 2023-25 is projected to be $14.5 million net of pass-through revenue transfers, which is a 3.8% increase from the revenue assumed in the 2021-23 legislatively approved budget. The Board’s 2023-25 ending fund balance is projected to be $2.7 million which is about four months of operating reserves.

Budget Environment

The Board's core responsibility lies in safeguarding the public and upholding public safety. Central to ensuring public safety is the Board's capacity to thoroughly investigate complaints. In doing so, the agency relies on its core business software which performs nearly all of the Board’s business functions including licensing and investigative case management.

In 2020, the Board undertook a comprehensive evaluation of its information technology business suite. The outcome of this evaluation revealed that the current software, GLSuite, falls short in delivering necessary software updates and essential support mandated by the Board. This deficiency places the effective execution of the Board's primary responsibilities in jeopardy.

A project to replace and modernize the agency's core business software was approved in the 2021 legislative session, including $1.1 million Other Funds for implementation and approximately $500,000 Other Funds for ongoing operational costs. Due to delays in the project's procurement stage, carryover funding of $600,000 Other Funds (Policy Option Package 101) was approved in 2023-25 to complete the project. Project delays are not expected to impact Board revenues or fees.

The Board has maintained consistent licensing fees since 2013 and has also controlled operational costs to enhance its appeal to medical professionals from out of state. However, with the impact of inflation, escalating personal services expenses, and higher charges from state government services, the existing fees no longer cover the expenses. Consequently, the Board is projected to have an 2025-27 ending fund balance below the six-month target. As a result, a 25% license registration fee increase (Policy Option Package 102) was approved effective July 1st, 2024.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Oregon Medical Board totals $18.4 million Other Funds and includes 42 positions (42.00 FTE). The budget is a $1.1 million, or 6.3%, increase from the 2021-23 legislatively approved budget and is projected to leave a four-month operating reserve. The budget increase is due to inflationary factors and the carryover of $600,000 from 2021-23 to complete the agency's information technology modernization project.

MENTAL HEALTH REGULATORY AGENCY

Analyst: Graham

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$300,000	--	--
Other Funds	$3,920,298	$5,186,427	$5,401,035	$5,702,602
Total Funds	**$3,920,298**	**$5,486,427**	**$5,401,035**	**$5,702,602**
Positions	13	14	13	15
FTE	13.00	14.00	13.00	15.00

Overview

Established in 2018 by HB 2319 (2017), the Mental Health Regulatory Agency (MHRA) provides administrative and regulatory oversight to two licensing boards that oversee behavioral and mental health professions in Oregon: the Board of Licensed Professional Counselors and Therapists (BLPCT) and Board of Psychology (BOP). The boards jointly appoint MHRA's executive director, who serves at the direction of the boards. If the boards cannot agree on the executive director, then the Governor appoints the executive director from a list of individuals suggested by each board.

MHRA's mission is to provide effective coordination of administrative and regulatory functions of regulated boards involved in protecting the public from harm through the licensing and regulation of behavioral and mental health professions in Oregon. MHRA provides centralized services to both boards, including budgeting, recordkeeping, staffing, contracting, procedure and policymaking, and performance and standard setting. BLPCT and BOP share their budgeted resources through a cost allocation model; however, each board maintains separate revenues and expenditures, through separate expenditure limitations in the agency's biennial budget, to ensure that the licensing fees of each board are not used to subsidize the expenses of the other board. BLPCT and BOP maintain their own separate authority to investigate complaints; enforce regulations; establish and collect fees; establish licensing criteria for education, training, and examination; and set professional practice standards, including a code of ethics. MHRA has 15 full-time staff to administer agency licensing and compliance operations.

Board of Licensed Professional Counselors and Therapists

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$150,000	--	--
Other Funds	$2,457,621	$3,319,099	$3,423,172	$3,944,704
Total Funds	**$2,457,621**	**$3,469,099**	**$3,423,172**	**$3,944,704**
Positions	13	14	13	15
FTE	8.40	9.60	8.90	11.05

Board Overview

BLPCT is an eight-member citizen board that licenses and regulates approximately 8,200 licensed professional counselors, licensed marriage and family therapists, and registered associates. BLPCT's board is composed of three licensed professional counselors, two licensed marriage and family therapists, one faculty member from a related program, and two members of the public. Board members are appointed by the Governor to staggered three-year terms and subject to confirmation by the Oregon Senate.

BLPCT's mission is to protect the public by identifying and regulating the practice of qualified professional counselors and marriage and family therapists. BLPCT oversees a voluntary licensing program for professional counselors wanting to use the title of "licensed professional counselor" (LPC) and professional marriage and family therapists wanting to use the title of "licensed marriage and family therapist" (LMFT). BLPCT also registers associates (formerly known as "interns") who are in the process of completing work experience requirements for licensure. Among its primary responsibilities, BLPCT investigates complaints against counselors and therapists; sets standards to establish, examine, and pass on the qualifications of applicants to practice professional counseling or marriage and family therapy in Oregon; adopts a code of ethics for licensees; sets academic and training standards; and establishes board policies and positions on counseling issues.

Revenue Sources and Relationships

BLPCT's revenues are principally derived from licensing, license renewals, and associate registration fees, comprising approximately 93% of the board's total revenues. The board licenses or oversees about 8,200 individuals, which includes 4,800 LPCs, 1,600 LMFTs, and 1,800 registered associates. Licensees pay annual renewal fees based on their birth month, and registered associates pay annual associate registration fees. Other miscellaneous sources of revenue include civil penalties, delinquent fines and forfeitures, sales of mailing lists, and copies of public records.

BLPCT's 2023-25 legislatively adopted budget makes several changes to the board's biennial revenue collections. First, licensees were historically paid annual renewal fees based on their birth month. However, beginning in January 2024, BLPCT will collect biennial renewal fees, in accordance with HB 3300 (2023), which deleted the statutory requirement that licensees pay annual renewal fees. This change is expected to reduce late renewal fees and compliance costs from having to investigate instances of unlicensed practice due to a lapsed license. Second, HB 3300 also included a statutory change that authorizes BLPCT to issue and collect a limited permit fee from out-of-state LPCs and LMFTs who apply to practice in Oregon for a limited amount of time. Assuming BLPCT were to issue 1,565 limited permits in the biennium at a rate of $100 per limited permit, the board is projected to receive an additional $156,500 Other Funds fee revenue in 2023-25. Third, BLPCT's 2023-25 legislatively adopted budget includes the following fee decreases, which will take effect in January 2024:

Board of Licensed Professional Counselors and Therapists 2023-25 Fee Decreases, Effective January 1, 2024

Fee Type	**Current**	**New**	**Change**
Active License Annual (Biennial) Renewal	$165	$145 ($290)	-12%
Inactive License Annual (Biennial) Renewal	$100	$90 ($180)	-10%
Initial License	$125	$115	-8%
Registered Associate Annual Renewal	$120	$105	-13%
Temporary Practice Authorization	$505	$405	-19%

These fee decreases were included in the board's budget to reduce barriers to licensure and thereby increase the diversity of licensees in the mental health workforce, as recommended by the diversity study that MHRA conducted in the 2021-23 biennium, pursuant to a budget note in HB 5006 (2021). Although these fee decreases are projected to reduce the board's revenues by $377,835 Other Funds in the 2023-25 biennium, the board's 2023-25 projected ending balance is $1,088,840 Other Funds, which is equivalent to 6.6 months of operating reserves.

Additionally, BLPCT collects a $2 annual renewal fee from licensees, on behalf of the Oregon Health Authority, as pass-through revenue. Since BLPCT will switch to biennial renewals in January 2024, BLPCT will collect a $4 biennial renewal fee, when the board transitions to biennial renewals for licensees.

Budget Environment

The number of new LPC licenses, LMFT licenses, and associate registrations issued by BLPCT has increased on average by 10% each year over the last decade. In fact, the number of new LPCs, LMFTs, and registered associates each year has more than doubled in the past 10 years. Because the demand for behavioral and mental health care services has increased in recent years, particularly during the COVID-19 pandemic, BLPCT projects a 9% annual increase growth rate in new LPCs, LMFTs, and registered associates, and a 13% annual increase in applications received in the 2023-25 biennium. The continued growth of LPCs, LMFTs, and registered associates is due to several factors, including increased demand for mental health services; retiring licensees choosing to keep their licenses active; insurance companies generally not reimbursing unlicensed practitioners for their services; and advances in telehealth making it easier for patients in rural areas to access care. It should also be noted that MHRA and BLPCT have been trying to address procedural bottlenecks and barriers to licensure to increase the diversity of Oregon's mental health workforce, as recommended by the diversity study that MHRA conducted in the 2021-23 biennium.

As the population continues to seek mental health care, and as health insurance carriers continue to provide coverage and Medicaid reimbursement, more counselors and therapists are expected to seek licensure. As the number of LPCs, LMFTs, and registered associates continues to grow, the number of complaints about counselors and therapists that BLPCT must investigate is expected to increase, which in turn will increase BLPCT's compliance costs. The annual number of investigations received by BLPCT increased each year by an average of 13.1% between 2013 and 2022, which is expected to continue into the 2023-25 biennium and beyond.

The need for child behavioral health services has also become more pressing. In October 2021, the U.S. Surgeon General issued a public health advisory regarding the "looming mental health crisis" among children and adolescents in the United States. Prior to the COVID-19 pandemic, the Centers for Disease Control and Prevention (CDC) reported that approximately one in five children nationwide has a mental, emotional, or behavioral disorder, but that only about 20% of those children receive care from a specialized mental health care provider. The CDC report also found that minority and uninsured children were even less likely to receive services. In Oregon, these trends have been particularly stark. A 2023 report by Mental Health America found that Oregon ranked 50 out of 51 U.S. jurisdictions with respect to how states provide care to mental illness and how severe the crisis is. The report also found that Oregon ranked last in the country in terms of the prevalence of youth struggling with mental illness and their access to care. To address this ongoing need, the Legislative Assembly introduced HB 2540 (2023), which would have established the nine-member Board of Behavioral Health Specialists within MHRA to license and regulate child behavioral health specialists.

Although HB 2540 did not become law, the Ballmer Institute at the University of Oregon has expressed interest in developing a bachelors-level degree program for child behavioral health specialists. Assuming this or similar legislation is introduced again in a future legislative session, any such legislation establishing a new mental health licensing board within MHRA would need to consider additional funding and position authority in the MHRA budget to ensure that the licensing fees of each board are not used to subsidize the expenses of the other boards.

<u>Legislatively Adopted Budget</u>

BLPCT's 2023-25 legislatively adopted budget is $3.9 million Other Funds, which is a 13.7% increase from the 2021-23 legislatively approved budget and a 15.2% increase from the 2023-25 current service level. The legislatively adopted budget has several technical adjustments and policy option packages, including:

- An increase of $3,616 Other Funds in board member stipends that were not included in the 2023-25 base budget.
- An increase of $287,794 Other Funds from the transfer of 0.65 FTE from BOP to BLPCT to distribute the cost of shared resources more equitably between both boards, based on the proportionate number of licensees regulated by the boards under their cost allocation model.
- A revenue decrease of $377,835 from various fee decreases in the 2023-25 biennium.
- An increase of $136,787 Other Funds to establish one permanent Administrative Specialist 1 position (0.75 FTE) to assist with accounting and other program support functions.
- An increase of $134,297 Other Funds to make a limited duration Investigator 2 position (0.75 FTE) a permanent position to support the board's compliance operations.

- A revenue increase of $156,500 from collecting a limited permit fee from out-of-state LPCs and LMFTs who apply to practice in Oregon for a limited amount of time, per HB 3300 (2023).

Board of Psychology

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	$150,000	--	--
Other Funds	$1,462,677	$1,867,328	$1,977,863	$1,757,898
Total Funds	**$1,462,677**	**$2,017,328**	**$1,977,863**	**$1,757,898**
Positions	--	--	--	--
FTE	4.60	4.40	4.10	3.95

Board Overview

BOP is a nine-member citizen board that licenses and regulates approximately 2,400 psychologists, psychologist associates, and psychologist residents. BOP's board is composed of six current or former licensed psychologists and three members of the public who are unaffiliated with the profession. Board members are appointed by the Governor to staggered three-year terms and subject to confirmation by the Oregon Senate. Formerly known as the Board of Psychologist Examiners, HB 2328 (2017) changed the board's name since its mission is broader than simply the examination of psychologists.

BOP's mission is to promote, preserve, and protect the public health and welfare of Oregonians by ensuring the ethical and legal practice of psychology. Among its primary responsibilities, BOP sets standards of service, training, and educational qualifications to practice psychology in Oregon; investigates and adjudicates complaints against psychologists, psychologist associates, and psychologist residents; and monitors licensees for continuing education requirements.

Revenue Sources and Relationships

BOP's revenues are principally derived from licensing, license renewals, and associate registration fees, comprising approximately 92% of the board's total revenues. The board licenses or oversees about 2,400 individuals, including about 2,300 psychologists, 23 psychologist associates, and 91 psychologist residents. Licensees pay biennial renewal fees based on their birth month, and registered associates pay annual associate registration fees. Other miscellaneous sources of revenue come from civil penalties (excluding disciplinary costs), delinquent fines and forfeitures, sales of mailing lists, and copies of public records.

BOP's 2023-25 legislatively adopted budget includes several fee decreases, which will take effect in January 2024:

Board of Psychology 2023-25 Fee Decreases, Effective January 1, 2024			
Fee Type	**Current**	**New**	**Change**
Active License Biennial Renewal	$780	$600	-23%
Semi-Active License Biennial Renewal	$390	$300	-23%
Inactive License Biennial Renewal	$105	$90	-14%
Temporary Practice Authorization	$900	$700	-22%

These fee decreases were included in the board's budget to reduce barriers to licensure and thereby increase the diversity of licensees in the mental health workforce, which is consistent with the diversity study that MHRA conducted in the 2021-23 biennium pursuant to a budget note in HB 5006 (2021). Although these fee decreases are projected to reduce the board's revenues by $344,576 Other Funds in the 2023-25 biennium, the board's 2023-25 projected ending balance is $1,442,145 Other Funds, which is equivalent to 19.6 months of operating reserves.

Budget Environment

The number of new psychologist licenses, new psychologist residents, and limited permits issued each year by BOP has increased by an average of 9.2% per year over the last 10 years. However, because some of BOP's growth is attributable to an unexpectedly large volume of limited permits issued to out-of-state psychologists during the COVID-19 pandemic, this increase is now starting to level off. Nevertheless, because the demand for behavioral and mental health care services has increased in recent years, BOP anticipates a 9.1% annual growth rate in new licensees, psychologist residents, and limited permits in the 2023-25 biennium. Based on this annual growth rate, BOP expects a 5.2% increase in the number of complaints it receives and investigates each year. While there are some economies of scale, BOP's licensing and compliance costs are projected to increase as the number of new psychologist licenses, new psychologist residents, and limited permits continue to grow each year.

The debate over the desirability and feasibility of psychopharmacology prescription privileges for psychologists remains an issue for BOP. In 2017, the Legislative Assembly passed HB 3355, which would have formed a committee within BOP with authority to grant prescription privileges to psychologists who received specified training. However, HB 3355 was ultimately vetoed by the Governor and did not become law. Although BOP is unaware of any efforts to introduce similar legislation, the debate around psychopharmacology prescription privileges for psychologists remains an ongoing issue of concern, particularly in the context of psilocybin services.

The Oregon Psilocybin Services (OPS) is a new program within the Oregon Health Authority (OHA), implemented after the passage of Ballot Measure 109 (now codified in ORS Chapter 475A), which voters approved in November 2020. Under OPS, OHA licenses and regulates the manufacturing, transportation, delivery, sale, and purchase of psilocybin products and the provision of psilocybin services. OPS began accepting applications for licensure in January 2023, and psilocybin service centers began providing services to clients in the summer of 2023. Although psilocybin services are not currently considered as mental health care, BOP is concerned that psilocybin service centers will increase the number of complaints that BOP must investigate for unlicensed practice of psychology. Assuming psilocybin service centers were to increase BOP's compliance costs, this could theoretically drive up the cost of licensing fees since BOP is unable to assess disciplinary costs in contested cases. However, the impact psilocybin service centers may have on BOP's compliance costs remains unclear in the 2023-25 biennium and beyond.

Another issue of concern is whether Oregon will join the Psychology Interjurisdictional Compact, known as PSYPACT. Approved in 2015 by the Association of State and Provincial Psychology Boards, PSYPACT is an interstate compact between states to facilitate telehealth and temporary in-person practice of psychology across state lines. The advantage of joining PSYPACT is that it provides licensed psychologists greater portability of their licenses by allowing them to apply to practice telepsychology and/or temporary, in-person practice in other PSYPACT jurisdictions. Thus, both psychologists licensed in Oregon could apply to practice in other jurisdictions, and psychologists licensed in other jurisdictions could apply to practice in Oregon. Currently, 40 U.S. jurisdictions have enacted legislation to enter PSYPACT. BOP is currently exploring the possibility of Oregon entering PSYPACT. However, Oregon would not be allowed to enter PSYPACT if BOP removed the Examination for Professional Practice in Psychology as the national examination required for licensure as a psychologist. Furthermore, it is unlikely that BOP would be able to add requirements for other state participants, such as graduation from an accredited program in psychology or completion of residency experience (post-doctoral work experience), which implicates consumer protection standards in Oregon. It should also be noted that entering PSYPACT would increase the number of complaints that BOP must investigate, which would in turn increase BOP's compliance costs.

Legislatively Adopted Budget

BOP's 2023-25 legislatively adopted budget is $1.8 million Other Funds, which is a 12.8% decrease from the 2021-23 legislatively approved budget and a 11.1% decrease from the 2023-25 current service level. The legislatively adopted budget has several technical adjustments and policy option packages, including:

- An increase of $8,136 Other Funds in additional board member stipends that were not included in the 2023-25 base budget.
- A transfer of $287,794 Other Funds and 0.65 FTE from BOP to BLPCT to distribute the cost of shared resources more equitably between both boards, based on the proportionate number of licensees regulated by the boards under their cost allocation model.
- A revenue decrease of $344,576 from various fee decreases that will take effect in the 2023-25 biennium.
- An increase of $45,632 Other Funds to establish one permanent Administrative Specialist 1 position (0.25 FTE) to assist with accounting and other program support functions.
- An increase of $44,765 Other Funds to make a limited duration Investigator 2 position (0.25 FTE) a permanent position to support the board's compliance operations.

BOARD OF NURSING

Analyst: Sosne

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	19,049,038	22,620,331	23,236,846	24,343,710
Total Funds	**$19,049,038**	**$22,620,331**	**$23,236,846**	**$24,343,710**
Positions	54	56	54	58
FTE	53.90	54.98	53.90	57.90

Overview

The Oregon State Board of Nursing (OSBN) regulates nursing education, licensure, and practice in Oregon. The agency is directed by a nine-member board appointed by the Governor and composed of four registered nurses, one licensed practical nurse, one nurse practitioner, one certified nursing assistant, and two public members.

The board licenses and regulates the practice for registered nurses, licensed practical nurses, nurse practitioners, certified registered nurse anesthetists, clinical nurse specialists, certified nursing assistants, and certified medication aides. Currently, OSBN is the largest licensing board with over 119,000 licensees, of which 93,000 are registered nurses or advanced practice registered nurses and 19,000 are certified nursing assistants.

Revenue Sources and Relationships

The agency receives 91% of its revenue from examination, licensing, and renewal fees charged to licensees. The Board also receives matching federal revenue through the Department of Human Services (DHS) for regulating certified nursing assistants, in compliance with the Federal Omnibus Reconciliation Act of 1987, which accounts for 8% of the board's revenue. The remaining 1% includes the sale of documents, employer subscription fees, and civil penalties.

In the 2023-25 biennium, OSBN anticipates a beginning balance of $10.5 million Other Funds and projects $24 million Other Funds revenue, for a total of $34.5 million. After accounting for the legislatively adopted budget and transfers, the board projects an ending balance of approximately $8 million Other Funds or eight months of operating reserves.

The board is statutorily required to collect $4.00 from each license renewal to support the Workforce Data Fund. Additionally, $9.00 from each registered nurse and licensed practical nurse renewal and exam application is transferred to the Nursing Advancement Fund. These fees are projected to total $2 million for the 2023-25 biennium, or 9% of the board's projected revenues.

Budget Environment

The agency's budget is influenced by the number of licensees, the number and complexity of complaint investigations, background checks, and the number of participants in the Health Professionals' Service Program. However, OSBN has voted to discontinue participation in the Health Professionals' Service Program after the 2023-25 biennium and is no longer referring licensees to the program.

Oregon has approximately 8.82 nursers per 1,000 residents. In 2018, the Oregon Employment Department estimated Oregon would need 2,600 nurses a year to replace those leaving the workforce and fill new positions, but the state has yet to meet this demand. With an increased focus on increasing the nursing workforce, the board will need to increase as well to meet a greater demand for new licensees and increased license renewals.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for OSBN totals $24.3 million Other Funds and 58 positions (57.90 FTE). The budget is a $1.7 million, or 7.6%, increase from the 2021-23 legislatively approved budget. The budget increase is primarily due to the addition of four positions (4.00 FTE) to process the backlog of nursing applications, manage the larger renewal caseload, and support the reopening of the agency's call center after a two-year break due to the COVID-19 pandemic. Additionally, two positions were reclassified upward to reflect the positions' increased workload and responsibility.

BOARD OF PHARMACY

Analyst: Morse-Miller

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	8,064,178	9,691,342	10,396,783	10,709,144
Total Funds	**$8,064,178**	**$9,691,342**	**$10,396,783**	**$10,709,144**
Positions	22	22	22	23
FTE	22.00	22.00	22.00	23.00

Overview

The mission of the Oregon Board of Pharmacy (OBOP) is to protect public health, safety, and welfare by ensuring high standards in the practice of pharmacy and by regulating the quality, manufacture, sale, and distribution of drugs. The agency is responsible for the licensure of individuals (pharmacists, pharmacy technicians, and pharmacy interns, preceptors) by examination or through reciprocity with other states. The agency is also responsible for the registration and inspection of hospital and retail pharmacies, drug wholesalers and manufacturers, over-the-counter drug outlets, and other locations. In addition, the agency investigates drug diversion and rule violations; and regulates the quality and distribution of controlled substances, prescription, and over-the-counter drugs within the state.

The nine-member board includes five pharmacists, two pharmacy technicians, and two public members appointed by the Governor and confirmed by the Senate. In addition, a seven-member Public Health and Pharmacy Formulary Advisory Committee, established in 2018, consists of two physicians, two advanced practice nurses, and three pharmacists who are appointed by the Governor to evaluate concepts for protocols or post-diagnostic drugs and devices to recommend to the Board of Pharmacy for adoption by rule.

Revenue Sources and Relationships

The agency is supported entirely by Other Funds generated from license, registration, and examination fees from pharmacists, pharmacy technicians, pharmacy interns, as well as the licensing of various drug outlets. The remaining revenue sources are civil penalties, fines, and interest earnings. During the 2021-23 biennium, the agency administratively adopted three new fees for pharmacy prescription kiosks, pharmacy prescription lockers, and remote dispensing site pharmacies, due to new distribution technology, and the need to expand pharmacy services to patients in remote locations. These fees are anticipated to have a minimal impact on revenue. At the end of the 2023-25 biennium, the Board is expected to have an ending balance of $3.6 million Other Funds, which represents approximately 8.1 months of operating reserves.

Budget Environment

Federal regulations and rapid changes in both technology and the health care industry continue to force change for the Board. The Board is required to interface and interact with many state and federal regulatory agencies, including the U. S. Food and Drug Administration, the U.S. Drug Enforcement Administration, and state health regulatory boards whose licensees have authority to prescribe, dispense, administer, or possess drugs and devices. As the state’s population increases in age and number, the use of pharmaceutical products continues to increase. In addition, the pharmaceutical profession has assumed increased responsibilities in areas of direct patient care, such as prescription of contraceptives, medication therapy management under Medicare, immunizations, and clinical laboratory health screen testing. As the pharmaceutical industry continues to expand, the agency’s workload continues to grow, driven by both increases in the numbers of licensees and in the complexity of consumer requests for information and complaints, resulting in a greater number of investigations. In the past decade, the number of investigation cases has increased from 627 in 2012, to 1,061 in 2022 (the last full year of data).

Responding to the COVID-19 pandemic, coupled with other changes to the profession, has led to attrition in the profession. Simultaneously, a trend of consolidation has led to fewer pharmacies. Pharmacies have been closing and staff have been resigning in numbers that are impacting access to pharmacy services, particularly in rural Oregon. OBOP continues to receive concerns and complaints from licensees about workplace conditions related to staffing, professional practice, and patient safety, and is working to enact rules to improve pharmacy practice conditions.

The Board has seen a trend of lower license renewals in recent years. Projected licensing numbers and revenues may be impacted negatively with lower enrollment at pharmacy schools over the past decade, and aging in the profession.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Board of Pharmacy totals $10,709,144 Other Funds and includes 23 positions (23.00 FTE). The budget represents a $1 million, or 10.5%, increase from the 2021-23 legislatively approved budget. In addition to standard current service level adjustments, the budget includes a $386,599 increase to fund a Health Care Investigator position to assist with ongoing increases in inspection and investigative workload.

PUBLIC UTILITY COMMISSION

Analyst: Ruef

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	47,032,235	60,168,396	62,279,415	62,341,166
Other Funds (NL)	53,390,790	54,476,337	54,829,960	54,829,960
Federal Funds	1,042,763	1,219,585	1,198,174	1,213,146
Total Funds	**$101,465,788**	**$115,864,318**	**$118,307,549**	**$118,384,272**
Positions	129	140	135	142
FTE	126.25	135.50	133.25	141.00

Overview

The Public Utility Commission's mission is to ensure consumers are provided with access to safe and reliable utility services at equitable and reasonable rates through regulatory activities and the promotion of competitive markets. The Commission regulates customer rates and services of investor-owned electric, natural gas, and telephone utilities, as well as certain water companies, allowing regulated companies an opportunity to earn an adequate return on their investments. The utilities regulated by the Commission serve approximately 2.8 million customers.

The three-member Public Utility Commission (PUC) is appointed by the Governor and subject to Senate confirmation. The Commission does not regulate utility districts, cooperatives, or municipally-owned utilities except in matters of safety. Additionally, the Commission has no authority to regulate the rates or services of cellular and cable television providers. The Commission is governed by federal and state law, the interpretation of which is informed by an extensive history of judicial decisions. PUC provides administrative and budget support to the Oregon Board of Maritime Pilots.

The agency is organized into the following four programs:

- *Utility Regulation Program*: With a budget of $96.7 million and 109.50 FTE, the Utility Regulation Program conducts research and analysis, and provides technical assistance. The program also oversees the implementation of state policies related to utility industry restructuring and competition and manages the contract with the Energy Trust of Oregon, which administers a portion of the public purpose charge. The program includes the Oregon Universal Service Fund (OUSF) that subsidizes rates for eligible carriers providing basic telephone service in high-cost areas, with payments to providers categorized as Other Funds Nonlimited. Notably, the budgets for the Commission Chair, two Commissioners, Executive Office, and the Administrative Hearings Division (which handles rulemaking, contested case hearings, industry changes, rate proposals, and consumer complaints) are funded under the Utility Regulation program rather than Administration.
- *Residential Service Protection Fund (RSPF) Program*: With a budget of $10.6 million and 7.50 FTE, this program provides accessible and affordable telecommunications services for disabled persons, including the hearing and speech-impaired, and low-income individuals. The Oregon Telephone Assistance Program subsidizes local telephone and broadband service rates to about 53,000 eligible low-income Oregonians by providing a $10.75 monthly reduction for basic telephone service and $12.75 on basic broadband service ($3.50 paid by Oregon, the remainder provided by the federal government). The Telecommunication Devices Access Program (TDAP) provides special communication devices to deaf, hearing and/or speech impaired people, or those with other disabilities that prevent them from using telephones. Oregon Telecommunications Relay Service provides a 24-hour-a-day relay service as required

by the Americans with Disabilities Act to link hearing, speech, and mobility-impaired individuals with non-impaired individuals. RSPF reports to the Central Services Administrator.

- *Administration*: With a budget of $10.1 million and 22.00 FTE, this program is led by the Chief Operating Officer and provides a comprehensive group of essential administrative services to support agency programs and operations. It encompasses three sections: Business Services, Information Systems, and Human Resources. The Consumer Services Section, Residential Service Protection Fund, and Oregon Board of Maritime Pilots staff report to the Chief Operating Officer for administrative purposes only.
- *Board of Maritime Pilots*: With a budget of $997,700 and 2.00 FTE, this program is an independent occupational licensing and regulatory agency for state maritime pilots, whose mission is to protect public health, safety, and welfare by ensuring only the best-qualified persons are licensed to pilot vessels in Oregon's four pilot-required areas: Yaquina Bay, Coos Bay, the Columbia River, and the Willamette River. A maritime (or marine) pilot is a local navigational and ship-handling expert who directs the course and speed of vessels based upon knowledge of wind, weather, tides, currents, and local geography. While the Board is a part of PUC for budget and administrative purposes, it retains authority for all policy decisions regarding the regulation of pilots.

Revenue Sources and Relationships

The Commission is funded with a mix of Other Funds, Other Funds Nonlimited, and Federal Funds. Other Funds revenues are derived primarily from fees assessed on regulated utilities. Electric, natural gas, water, and wastewater utilities are assessed up to 0.45% on gross operating revenues. Telecommunications providers are assessed up to 0.35% on gross intrastate retail sales excluding wholesale revenues. These fees are expected to generate $44.2 million in revenue for the Commission and pay for Administration and the Utility Regulation Program, not including OUSF.

The OUSF is funded exclusively through Other Funds Non-Limited. Its primary purpose is to provide payments to eligible telecommunications carriers in high-cost areas of the state, ensuring reasonable prices for basic services. These non-limited funds are strictly designated for this purpose and do not contribute to Utility Regulation operations. The OUSF is funded by a 6% surcharge on intrastate retail revenues, which is billed to all customers of certificated telecommunication carriers. Starting in January 2021, this surcharge was extended to VoIP and cell phone customers, leading to a reduction in the surcharge for all customers.

Telecommunication carriers and subscribers are assessed an additional amount to support the RSPF. A surcharge, not to exceed 35 cents, is levied on each paying landline, cellular, and VoIP service subscriber with access to Oregon Relay. The Commission reviews the RSPF balance annually and adjusts the surcharge rate as necessary to ensure the fund has adequate resources yet does not exceed six months of projected expenses. The current surcharge is 3 cents per month.

The Public Purpose Charge (PPC) is a 1.5% charge collected by Portland General Electric and PacifiCorp on customer bills. This funding supports various programs, including renewable resource development, energy efficiency improvements in schools, and weatherization of low-income households. These programs are administered by different entities: the Energy Trust of Oregon manages renewable development, the Department of Energy oversees school programs, and the Housing and Community Services Department handles low-income initiatives. Each entity receives a portion of the PPC funds to cover administrative costs.

HB 3141 (2021) extended the PPC collection until 2036 and reduced the rate from the previous 3% to the current 1.5%. This reduction was achieved by shifting all energy conservation funding for energy efficiency through utility rates. The funding levels for the four remaining PPC components either remained the same or received slight increases. The Commission also receives a portion of these funds to cover the costs associated with overseeing the program, with 50 percent of one analyst's time dedicated to this oversight.

The Commission receives Federal Funds received from the U.S. Department of Transportation's Gas Pipeline Safety Program to support enforcement of federal pipeline safety regulations. The state is required to provide matching funds at the current rate of 40%.

The Board of Maritime Pilots is a self-supporting entity funded by two revenue sources: pilotage fees and pilot license fees. A pilotage fee of up to $100 is assessed on either outgoing or incoming vessels requiring pilotage service at the four pilot-required areas. The license fee is tied to the consumer price index by statute and rises by the cumulative cost-of-living increase for the previous two years at the start of each biennium. The annual license fee will be $3,984 per pilot in the 2023-25 biennium. Total expected revenue is $807,750 for the biennium.

Budget Environment

The Commission assesses annual fees on regulated electric, natural gas, water utilities, and telecommunications providers that fund most the Commission's operating expenditures. As customers continue to transition from landline to wireless services, the telecommunications industry's projected gross revenues will decrease between 2024 and 2025 resulting in a revenue loss of approximately 7% per year. Commission revenue from the energy industry will increase slightly with a projected year over year increase of approximately 5.2% for 2024 and 2025. Given that the Commission receives more revenue from the energy industry than it does from the telecommunication industry, the stability in electricity industry revenue will continue to offset the loss of telecommunications industry revenue.

A consumer inquiry results in an investigation but can involve an issue not regulated by the Commission. For example, the Consumer Division undertakes numerous inquiries from consumers regarding problems with their VoIP telephone service, cable, and satellite television and internet service—services over which it has no regulatory authority. While overall Consumer Division activity and the number of complaints is down across all utilities from a peak in 2005, the last several years have seen substantial growth in the number of inquiries related to cellular and telecommunication services. In 2022, cellular and communications inquiries accounted for nearly 44% of all contacts for the Consumer Division. These trends not only increase costs in the agency, but also raise questions regarding the Commission's authority and continuing relevance in the absence of regulatory reform.

During the 2021 regular legislative session, six policy bills were passed that impacted the Commission's work. Four of these bills—differential energy burden (HB 2475), changes in the public purpose charge (HB 3141), and transportation electrification (HB 2165 and HB 3055)—were determined not to require additional resources for implementation. However, two major initiatives, wildfire mitigation (SB 762) and clean energy (HB 2021), required additional resources. To implement these directives, the Commission's budget was increased $2.2 million Other Funds and 11 positions (7.50 FTE).

During implementation, it became evident that additional resources, particularly in professional and technical personnel, were required. The evolving technology in the energy industry and increased workload demanded more engineering-focused analysis, covering aspects such as power flow modeling, optimization, reliability and risk assessment, grid solutions, asset management, risk management, resiliency analysis, and prudency review for utility investments—both large and small. To address these needs, the agency proposed policy option packages for the 2023-25 biennium totaling $2.4 million and seven positions (7.75 FTE).

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Public Utilities Commission is $118.4 million total funds and includes 142 positions (141.00 FTE). The budget is a $2.5 million, or 2.2%, increase from the 2021-23 legislatively approved budget. The increase is primarily due to the addition of seven positions (7.75 FTE) to address the previously mentioned increased workload, complexity, and new responsibilities resulting from legislative initiatives, energy industry transitions, decarbonization imperatives, and federal and regional planning initiatives. In addition, the budget includes a current service level reduction of $2 million to align the PUC's budget more accurately with its level of revenue and expenditures.

REAL ESTATE AGENCY

Analyst: Broadus

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	8,835,714	10,141,433	11,027,459	13,996,881
Total Funds	**$8,835,714**	**$10,141,433**	**$11,027,459**	**$13,996,881**
Positions	29	30	29	34
FTE	29.00	29.75	29.00	34.00

Overview

The Real Estate Agency is responsible for licensing, continuing education, and enforcing Oregon's real estate laws applicable to brokers, property managers, and real estate firms. Application fees and fees paid for professional licenses by brokers, principal brokers, and property managers make up most of the revenue collected. Additional revenue is derived from charges for services, fines, and forfeitures, with all civil penalties transferred to the General Fund.

Revenue Sources and Relationships

The agency is funded by Other Funds revenue generated from application (25%) and licensing fees (63%). The agency projects total revenues of $10.7 million Other Funds for 2023-25 and an ending balance of approximately 6.4 months of operating costs.

Budget Environment

The agency anticipates that revenues will be flat for the coming biennium. Risks to the revenue projection may be affected by a downturn in the housing market due to increased interest rates and a pending court case (Burnett et al. v. The National Association of Realtors et al.) affecting commission rates charged by realtors. It is unclear how this may affect the number of realtors entering or leaving the market if the commission structure is changed. The court case could take several years before being resolved and any potential effects on the agency's budget remain unknown.

Legislatively Adopted Budget

The legislatively adopted budget for the Real Estate Agency is approximately $14 million Other Funds and 34 positions (34.00 FTE). This is a $3.9 million, or 38%, increase from the 2021-23 legislatively approved budget and provides the board with an ending balance equivalent to 6.4 months of operating funds. The budget increase includes the approval of $2.3 million to replace the agency's licensing system, $529,146 for three positions (3.00 FTE) to support the work of the Compliance and Audits Division, and $239,266 for establishing one Human Resources Analyst 3 position (1.00 FTE) to support human resources functions and diversity, equity, and inclusion activities.

BOARD OF LICENSED SOCIAL WORKERS

Analyst: Sosne

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	1,691,260	2,271,967	2,212,574	2,544,944
Total Funds	**$1,691,260**	**$2,271,967**	**$2,212,574**	**$2,544,944**
Positions	7	7	6	8
FTE	7.00	7.00	6.00	7.50

Overview

The mission of the Board of Licensed Social Workers is to protect the citizens of Oregon by setting a strong standard of practice and ethics through the regulation of clinical social workers. The Board oversees a voluntary licensing program for individuals who want to use the title "licensed clinical social worker." The Board is responsible for developing and enforcing ethical standards for licensed individuals, investigating complaints, and disciplining licensed individuals who violate ethical standards, Board rules, or state licensing laws. The Governor appoints the seven-member board comprised of four licensed clinical social workers and three public members.

Revenue Sources and Relationships

The agency is funded by revenue generated from application and licensing fees. Other miscellaneous sources include late fees and publication sales. Due to the expansion of licensee types in SB 177 (2009), the Board has licensed more licensees, resulting in continued revenue growth. The Board's 2023-25 projected ending balance represents approximately 3.8 months of operating costs. A fee increase is not contemplated in the 2023-25 biennium.

Budget Environment

The passage of SB 177 in 2009 added two new categories of licensing: Registered Bachelor of Social Work and Licensed Master of Social Work. This increased both the licensing and the compliance workload of the Board. The bill also added criminal background check requirements for licensees. The Board has continued to experience increased expenses due to a boost in investigations from expanding the licensee base. The agency will review whether fee increases are warranted in 2025-27. A fee increase may be required to fund additional investigators to decrease the backlog in compliance cases further.

Legislatively Adopted Budget

The legislatively adopted budget for the Board of Licensed Social Workers is $2.5 million Other Funds and eight positions (7.50 FTE). This is a $272,977, or 12%, increase from the 2021-23 legislatively approved budget and provides the board with an estimated ending balance equivalent to 3.8 months of operating funds. The increase includes the establishment of one permanent Investigator 2 position (1.00 FTE) to decrease the number of backlogged compliance cases and one part-time Office Specialist 2 (0.50 FTE) to assist with reviewing Clinical Social Work Associates status reports.

BOARD OF TAX PRACTITIONERS

Analyst: Graham

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	962,659	1,196,969	1,173,865	1,123,356
Total Funds	**$962,659**	**$1,196,969**	**$1,173,865**	**$1,123,356**
Positions	3	2	2	2
FTE	2.50	2.00	2.00	2.00

Overview

The Board of Tax Practitioners (BTP) is a seven-member citizen board that licenses and regulates approximately 3,900 tax practitioners, tax firms, and business branches. The board is composed of six licensed tax consultants and one public member. Board members are appointed by the Governor to staggered three-year terms and are subject to confirmation by the Oregon Senate. BTP's mission is to protect Oregon consumers by ensuring Oregon tax practitioners are competent and ethical in their professional activities. Among its primary responsibilities, the agency licenses and regulates tax preparers, tax consultants, tax firms, and business branches; renews licenses; develops initial competency examinations; monitors licensees for compliance with continuing education requirements; and investigates complaints and takes disciplinary action against licensees when appropriate. The agency has two full-time staff to handle its licensing and compliance operations.

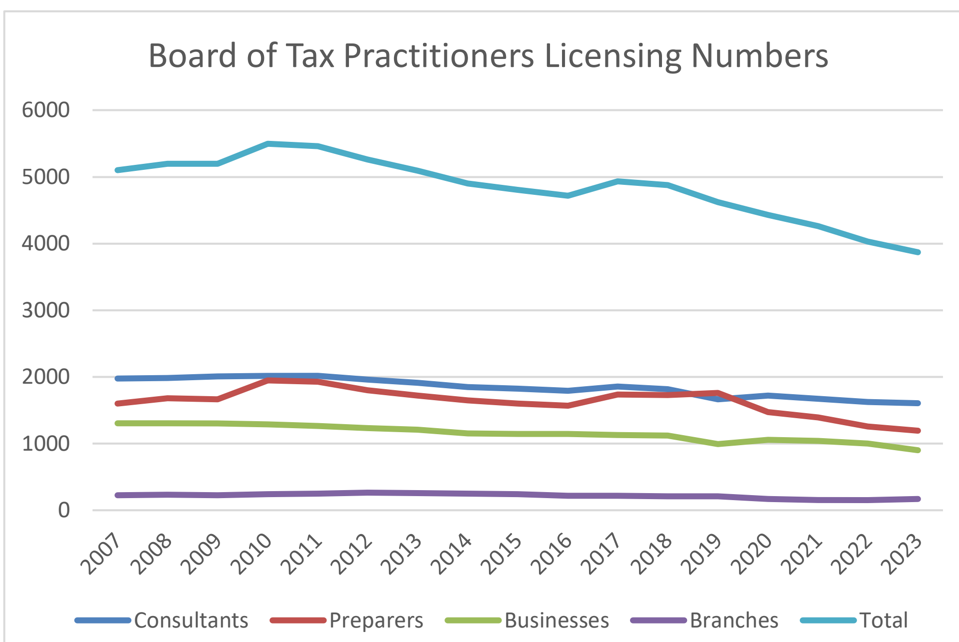
Revenue Sources and Relationships

BTP's revenues are principally derived from annual licensing and business registration fees, comprising approximately 88% of the agency's total revenues. Fees are also charged for the administration of licensing examinations, and a small amount of revenue is derived from civil penalties and fines.

Due to a revenue shortfall in the 2021-23 biennium, the agency increased its license and registration fees through rulemaking in April 2022. As a result, the agency's projected ending fund balance is $447,209 Other Funds in the 2023-25 biennium, which is equivalent to 9.5 months of operating reserves.

Budget Environment

The agency has made a substantial effort to reduce costs and increase workload efficiencies over the last few biennia, including relocating its office to less expensive space; permanently closing its physical office to become a remote state agency; decreasing staffing because of new information technology initiatives; contracting with an exam proctoring firm to reduce administrative tasks; and eliminating all nonessential services and supplies, including office supplies and board member



per diem and reimbursements. As a result of these cost-saving initiatives, the agency went from four positions in the 2015-17 biennium to two positions in the 2021-23 biennium. Although these efforts to reduce costs have helped to a degree, the agency will need to fund a 6.5% statewide negotiated cost-of-living adjustment to state employee compensation plans in December 2023; a 6.55% cost-of-living adjustment to state employee compensation plans in early 2025; and a permanent increase in expenditure limitation of $30,000 Other Funds for the agency's Attorney General line item. The agency is also currently involved in pending litigation with a licensee, the costs of which will depend on whether the case is appealed and whether the agency is awarded attorney's fees and costs, assuming the agency is the prevailing party. If the agency is not awarded attorney's fees and costs, the agency may need an additional, one-time increase in expenditure limitation to cover additional legal costs.

Despite efforts to reduce costs, the agency's future remains uncertain. The number of licensees has continued to decline year after year. Overall licensing numbers peaked at around 5,500 licensees in 2010, but have declined to a record low of around 3,900 licensees in 2023, which is a 29% decline over the last 14 years. The reason for the decline in licensees is partially due to the advent and proliferation of online tax preparation services, which offer fast, convenient, and inexpensive electronic filing options. Another reason for the decline is that the current average age of licensees is 51 years old for tax preparers and 61 years old for tax consultants, making them on average relatively close to the age of retirement. As the number of licensees continues to decline, the need for younger prospective licensees becomes more apparent. While overall licensing exam numbers were down during the onset of the COVID-19 pandemic, the number of individuals taking the licensing exams in the last three years has remained relatively stable, and in some cases, has even increased. Nevertheless, the agency's total number of licensees declined by 4% in calendar year 2023.

If the number of licensees continues to decline, the agency will at some point be unable to generate enough revenue to support its operations. One solution might be to increase license and registration fees again. However, given that the agency increased fees in April 2022, it is reluctant to raise fees again any time soon. Another solution the agency is currently considering is the development of a licensed apprenticeship program to recruit younger prospective licensees. However, because new legislation would be needed to develop such a program, it is unclear when or if this proposed licensed apprenticeship program would ever take effect.

Given the agency's uncertain future and the overlap between the practice of accountants and tax practitioners, policymakers may need to consider at some point whether the State of Oregon has a continued interest in regulating the practice of tax practitioners. One solution might be to develop a type of tax practitioner certificate program within the Board of Accountancy, as a way for tax preparers and tax consultants to continue practicing, should BTP discontinue its operations at some point.

<u>Legislatively Adopted Budget</u>

BTP's 2023-25 legislatively adopted budget totals $1.1 million Other Funds, which is a $73,613, or 6.1%, decrease from the 2021-23 legislatively approved budget. The budget does not include any policy option packages or significant program changes, as it was developed to enable the agency to continue its operational-level focus on improving program efficiency. The budget eliminates rental facility costs from the agency closing its physical office to become a remote state agency. The budget also includes a permanent increase in expenditure limitation of $30,000 Other Funds to account for increased Attorney General costs for contested case hearings, which were higher than expected in the 2021-23 biennium and expected to continue in the 2023-25 biennium. The budget also includes adjustments to account for changes to statewide government service charges.

NATURAL RESOURCES

PROGRAM AREA

DEPARTMENT OF AGRICULTURE

Analyst: Gibson

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	24,476,536	80,505,340	31,868,878	54,006,785
Lottery Funds	8,674,081	11,588,227	8,859,764	8,834,102
Other Funds	67,997,962	123,504,515	86,735,866	90,424,789
Federal Funds	12,049,488	19,626,329	17,293,002	19,646,495
Total Funds	**$113,198,067**	**$235,224,411**	**$144,757,510**	**$172,912,171**
Positions	514	536	500	521
FTE	385.77	407.50	384.09	401.00

Overview

The Department of Agriculture's (ODA) mission is centered on three broad policy areas of ensuring food safety and providing consumer protection, protecting agricultural natural resources, and promoting economic development in the agricultural industry. The agency emphasizes public education and technical assistance in its provision of regulatory oversight on legislatively mandated programs. Oregon's agricultural industry is one of the state's most important economic sectors. Agriculture contributes directly or indirectly to 618,341 jobs and $30 billion in Oregon wages. Over 37,600 producers are active in 225 major commodities with a farm level value of more than $5 billion per year. In addition, approximately 40% of Oregon's agriculture is exported internationally, contributing more than $2.4 billion to the state in 2022.

ODA receives input on policy and rule development from the 10-member State Board of Agriculture. Nine members are appointed by the Governor; the 10th member is the chair of Oregon's Soil and Water Conservation Commission. The Board advises ODA regarding the implementation, administration and enforcement of programs, and the development of policies. The Department consists of the following four policy areas:

- Administration and Support Services – Provides policy direction and agency support functions.
- Food Safety/Consumer Protection – Inspects all facets of Oregon's food distribution system, excluding restaurants, to ensure food is safe for consumption. Programs can be grouped into Food Safety, Meat Inspection, Animal Health, Livestock, Predator Control, Weights and Measures, and Laboratory Services.
- Natural Resources – Responsible for protecting the state's agricultural natural resource base. Programs can be grouped into Ag Water Quality, Confined Animal Feeding Operations, Soil and Water Conservation Districts, Pesticides, Fertilizers, Noxious Weed and Pest Prevention, Nurseries and Christmas Trees, the Hemp program, Plant Conservation, and Land Use.
- Market Access, Development, and Certification/Inspection – Works with agricultural producers to increase sales through product and market development and assists in moving products into the domestic and international markets by providing inspection, grading, and certification. Programs can be grouped into Ag Development and Marketing, Shipping Point Inspection and Certification, Plant Health and Safety, Smoke Management, and Seed Regulation.

Revenue Sources and Relationships

For the 2023-25 legislatively adopted budget, 31% of the Department's expenditures are financed by General Fund and 5% are funded by Lottery Funds. The General Fund provides a significant amount of the total funding for food safety inspections, agriculture marketing, regulation of Confined Animal Feeding Operations, and predator control. Some General Fund is also used to fund the administrative support functions of the agency. Lottery Funds are from the constitutionally dedicated 7.5% of all Lottery revenues that are restricted to wildlife and habitat protection and restoration. These dedicated Ballot Measure 76 (M76) Lottery Funds provide the majority of funding for agricultural water quality activities, grants to treat invasive weeds, and insect pest prevention and management. Each of these programs reside within the Natural Resource policy area of the Department.

The Oregon Constitution dictates the percentage of lottery proceeds that shall be distributed as grants for fish and wildlife, watershed and habitat protection, and that which may be used for agency operations. This allocation between grants and operations is required to adjust from 65%/35% to 70%/30% when the proceeds deposited in the Parks and Natural Resources Fund exceed the amount deposited during the 2009-11 biennium by 50%. This constitutional threshold was met late in the 2021-23 biennium and recent revenue forecasts indicate the adjusted percentages will continue for the 2023-25 biennium. Accordingly, at least 5% more funding must be made available as grants, and less funding will be available for agency operations in 2023-25. ODA was allocated approximately $12 million M76 Lottery Funds for operations in their 2021-23 biennial budget. The Department's 2023-25 legislatively adopted budget included a reduction of nearly $3 million and is approximately 25% lower than 2021-23 funding levels.

Other Funds account for approximately 58% of the Department's total available revenues. The main source of agency Other Funds revenues is from license and fee payments for regulated activities, such as weights and measures inspections, and pesticide applicator fees. Other Funds revenue is also gained from reimbursable work and charges for services, cost reimbursements, agency assessments for centralized administrative services, and transfers-in from federally funded programs which are expended as Other Funds.

The Department is responsible for analyzing fee revenue against the related program costs and taking steps to administratively increase fees in order to keep the programs operational. HB 5003 was the Department's fee bill for the 2023 legislative session. This measure ratified various fees adopted administratively during the 2021-23 biennium. The Pesticide Product Registration fee had the largest increase of 12.5%, which is projected to increase revenues by just over $1 million over the 2023-25 biennium. Other fee increases include the industrial hemp license fees, a Certifications Program fee, Seed Program fees, food safety license fees, and livestock identification fees. The anticipated net revenue increase totals nearly $2 million for the 2023-25 biennium.

In four out of the past five biennia, ODA has included a revenue shortfall package to balance their current service level expenditures with the available Other Funds resources for one program or another. These shortfalls average approximately $378,000 and may be coupled with a fee increase and/or a request for General Fund backfill. The shortfall included in ODA's 2023-25 budget totals just over $84,000 and includes balancing reductions to select services and supplies for the Smoke Management program, with no need for additional funds or a fee increase.

Federal Funds represent just over 11% of ODA's 2023-25 biennial budget. Grants are most frequently sourced from the U.S. Department of Agriculture, U.S. Environmental Protection Agency, U.S. Bureau of Land Management, U.S. Fish and Wildlife Service, and the U.S. Food and Drug Administration. Federal revenues are primarily received by the Department's Food Safety, Natural Resources, and Market Access, Development and Certifications policy areas. Federal Funds are used for Specialty Crop grants to promote certain agricultural products in the state, plant and animal health protection, invasive species management and prevention, pesticide regulation, implementing new federal food safety standards, and laboratory services.

Budget Environment

Population growth coupled with climate change in Oregon has led to increased competition for limited resources, including water and land. The Department's level of involvement with coordination and development of water use, land use, and conservation plans with other agencies and affected parties has been steadily increasing. Conservation issues are becoming more complex, requiring more planning and inter-agency cooperation. Moreover, agriculture is a climate-dependent business, sensitive to long- and short-term changes. Drier climates, increased frequency and duration of droughts, volatility in weather patterns, changing seasons, pressure from insect pests and noxious weeds, and other effects necessitate adaptive management, new crop varieties, and technologies.

After extreme heat in 2021, and during a historic drought, ODA received $40 million in one-time General Fund during the 2nd Special Session of 2021 to establish a state disaster assistance program. The Oregon Disaster Assistance Program (ODAP) was an emergency program launched in Spring of 2022 to help farmers and ranchers remain solvent until federal assistance was realized, or to serve as assistance where federal programs fell short. After two separate four-week application periods, the program directly administered nearly $20 million in assistance to Oregon farmers and ranchers.

Invasive pests pose a continual and real threat to Oregon's agriculture, native species, habitat and economy. In the 2nd Special Session of 2021, ODA received $4 million one-time General Fund to revitalize a grasshopper and Mormon cricket program to conduct biological surveys and cost share suppression efforts. The grasshopper and Mormon cricket populations thrive in drought conditions and, when they exceed their biological population limits, can be destructive to native plants, wildlife forage, and crops. The suppression efforts are shared between state, federal, and local partners, and the state investments allowed control measures to be implemented on private lands. ODA works to survey and eradicate several other invasive pests in order to mitigate impacts to Oregon's economy and natural resources. These include the emerald ash borer beetle, which has nearly eliminated ash trees in parts of the Midwest and Northeast, and vine mealybug which threatens the wine industry. ODA estimates the economic impact of allowing invasive pests such as these to become established in Oregon to be over $45 million in damages.

Combined, these challenges are causing ODA to investigate ways to support the agricultural community in finding more climate-smart, resilient commodities, and ultimately building domestic and international markets for them. Currently, Oregon producers sell about 80% of their products outside of the state and 40% outside the country. A priority, and challenge, for the Department is improving agriculture's contribution to the Oregon economy through assistance to farmers, ranchers, and specialty food producers in finding new domestic and global markets for their products. Building markets is accomplished through market research, attendance at trade shows, direct negotiations with international buyers, and promotional activities aimed at specific Oregon products. The Commodity Inspection Division validates and promotes Oregon's agricultural products through inspection and certification services and communications with producers, wholesalers, and retailers.

The Department's Hemp Program registers industrial hemp growers and handlers and ensures the crop meets the definition of hemp, such that the plant does not exceed 0.3% tetrahydrocannabinol (THC) concentration. During the 2021-23 biennium, ODA was identified by the Oregon Cannabis Commission and Executive Branch leadership as the most likely laboratory to conduct statewide cannabis testing, inclusive of both hemp and marijuana. However, ODA has outgrown their current laboratory spaces, which house Animal Health, Plant Health, Insect Pest Prevention, and Regulatory Laboratory Services. The agency's 2023-25 legislatively adopted budget includes not only the transfer of three full-time OLCC chemists and resources to increase capacity for cannabis testing using ODA's infrastructure, but also additional rent to support relocation to the state's newly renovated North Valley Complex, offering sufficient laboratory space for the statewide program. The OLCC positions and necessary supplies will be funded by a recurring transfer of marijuana licensee revenue.

Legislatively Adopted Budget

The Department's 2023-25 legislatively adopted budget includes nearly $173 million in total funds. This is comprised of $54 million General Fund, $9 million Lottery Funds, $90 million Other Funds, and $20 million Federal Funds expenditure limitation. The total funds budget represents a reduction of 26% from the 2021-23 legislatively approved budget. The primary factor in the decrease is the phase-out of $89 million in one-time funding, including $48 million General Fund for investments including the Oregon Agricultural Disaster Relief Fund, the State Meat Inspection program, and grasshopper and cricket suppression. The 2023-25 legislatively adopted budget supports 521 positions (401.00 FTE), which is a decrease of 15 positions from the 2021-23 legislatively approved budget.

General Fund: The Department's General Fund budget of $54 million is a decrease of $26 million, or 33% from the 2021-23 legislatively approved budget. Nearly $16 million of the total represents one-time General Fund investments which were authorized in legislation outside of the Department's budget bill (HB 5002). The following summarizes the General Fund adjustments in the legislatively adopted budget:

HB 5002 - the Department's budget bill:

- $6 million to cover the cost of relocation and rent in the North Valley Complex; a new statewide investment in laboratory infrastructure and resiliency. ODA plans to consolidate most of their existing labs into the state-of-the art facility. This package contains $5 million for increased rent and $640,750 in one-time relocation costs.
- $1 million to support services and supplies, and continuation of six limited duration positions (3.00 FTE) to continue limited operations of the Japanese Beetle eradication program. This investment was accompanied by a budget note directing ODA to provide a detailed report to the Legislature during the 2024 legislative session regarding the status of progress against the Japanese beetle and other emerging pests.
- $500,000 for the Farm to School Equipment and Infrastructure Grant program, which enhances access to school meal programs for small and local farms and food manufacturers. A total of $249,299 General Fund was shifted from the Oregon Department of Education to ODA and an additional $250,701 General Fund was provided to increase the program to a total of $500,000.
- $1 million reduction in existing rent agreements for the Food Innovation Center as the Department will be moving to the North Valley Complex. This reduction offsets a portion of the total relocation cost.
- $513,600 reduction for the elimination of three long-term vacancies (3.00 FTE) as well as the services and supplies budget supporting the positions.

HB 2010 - the primary bill for the 2023 statewide drought package:

- $269,726 and establishment of a permanent position for support of the Department's place-based planning efforts, as well as other provisions of the measure, which contains the policy and investments of the statewide drought package.

HB 2001 - relating to housing:

- $6 million and one full-time limited duration position (0.88 FTE) has been provided to create and implement the Agricultural Workforce Housing grant program. The program will provide grants to improve the health and safety conditions of existing agricultural workforce housing.

HB 3410 - relating to economic development:

- $9 million General Fund was provided on a one-time basis to continue a grant program providing infrastructure and capacity building grants for establishments that sell and process meat. The program was established in House Bill 2785 (2021) to support establishments expected to operate under the new State Meat Inspection Program. The sunset date was extended to June 30, 2025, and ODA anticipates utilizing existing staff time to support grant program administration.

SB 85 - relating to confined animal feeding operations:

- $562,012 and establishment of two permanent full-time positions to serve as a field inspector and a permit writer. The measure prohibits the Department of Environmental Quality (DEQ) and ODA from issuing a permit to a new, large, confined animal feeding operation if it is located in a ground water management area and applies manure, litter or processed wastewater to land within the ground water management area. ODA is charged with working with DEQ and the Water Resources Department to provide consultation to the applicant, as well as inspection of the operation to confirm the facility is in compliance with the conditions of the water quality permit.

SB 5506 - the 2023 Omnibus bill:

- $312,100 one-time funding for survey and treatment of the vine mealybug. This pest presents a substantial threat to wine grapes in many production regions worldwide, and it was first identified in Oregon in 2021. Vine mealybug directly impacts vines and fruit and is also a key vector of leafroll virus in grapevines. Both the vine mealybug and leafroll virus cause economic damage in vineyards once established.
- $1 million on a one-time basis to increase funding for the Wolf Depredation Compensation and Financial Assistance Grant Program.
- $325,584 was reduced from the Department's budget related to state government service charges adjustments.

Lottery Funds: The 2023-25 legislatively adopted budget for the Department includes nearly $9 million Lottery Funds, which are all constitutionally dedicated M76 funds. This represents a decrease of 25% from the 2021-23 legislatively approved budget, largely driven by the phase-out of one-time investments. ODA's budget bill allocated Lottery Funds equal to the Department's 2023-25 current service level. However, adjustments in SB 5506, reduced ODA's Lottery Funds by $25,662 related to state government service charges, bringing their legislatively adopted budget slightly under current service level for the 2023-25 biennium.

Other Funds: The 2023-25 legislatively adopted budget includes over $90 million Other Funds expenditure limitation. This is $33 million, or 27% below the 2021-23 legislatively approved budget, largely due to the phase-out of $39 million in one-time Other Funds expenditure limitation provided to deliver the Oregon Disaster Assistance Program in 2021-23. Adjustments to the Department's Other Funds expenditure limitation include:

HB 5002 - the Department's budget bill:

- $2 million and three permanent Chemist positions (2.64 FTE) transferred from OLCC, to consolidate cannabis testing in ODA's new laboratory in the North Valley Complex.
- $350,000 for the Weights and Measures program, supported by fee increases adopted administratively during the 2021-23 biennium, and ratified during the 2023 legislative session.
- $555,532 for two permanent positions (2.00 FTE) to increase capacity to respond to pesticide incidents related to cannabis. This continues positions previously funded through a transfer from OLCC. However, the transfer is not assumed in this package; instead, the positions are being established and supported by pesticide fee revenue.
- $1 million and three permanent positions (3.00 FTE) were included as part of an agency-wide effort to correctly classify and fund positions. The entire package included actions on 25 positions throughout the Department. Other Funds expenditure limitation was increased to establish two Shipping Point Inspectors, and one Pesticides Manager, resolving double-filled positions.
- $2 million Other Funds expenditure limitation supported by revenue from various fees ratified in the 2023 legislative session. This expenditure limitation supports operations for the Food Safety, Livestock ID, Pesticide, Seed, and Certifications programs.
- $243,361 was reduced in SB 5506 (2023) related to state government service charges paid to the Department of Administrative Services (DAS). The anticipated 2023-25 biennial charges from DAS were reduced, and therefore an equal amount of expenditure limitation in the Department's budget was reduced to balance.

Federal Funds: Federal Funds expenditure limitation totaled just under $20 million for the 2023-25 legislatively adopted budget. This represents an increase of 5.5% above the 2021-23 legislatively approved budget, largely driven by three investments:

HB 5002 - the Department's budget bill:

- $800,000 for the Food Safety Policy Area related to the Meat Inspection program created by HB 4206 during the 2020 1st Special Session. This reimbursement-based funding supports the Food Safety positions already established within the Department.
- $177,409 for the continuation of a limited duration position conducting outreach to reduce avian influenza.
- $1.4 million and five limited duration positions (5.00 FTE) to continue to provide outreach, education, and technical assistance activities related to a U.S. Food and Drug Administration grant for implementation of new Manufactured Food Regulatory Program Standards called the Food Safety Modernization Act.

COLUMBIA RIVER GORGE COMMISSION

Analyst: Wilson

Agency Totals

	2019-21 Actual*	2021-23 Legislatively Approved*	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,125,684	1,408,207	1,321,358	2,292,904
Total Funds	**$1,125,684**	**$1,408,207**	**$1,321,358**	**$2,292,904**

Overview

The Columbia River Gorge Commission (CRGC) was authorized by the 1986 Columbia River Gorge National Scenic Area Act and created as a regional agency through an interstate compact between Oregon and Washington. The agreement forms the basis of the relationship between the states and the federal government. The Commission was established to implement the National Scenic Area Act's purposes of protecting and enhancing the scenic, cultural, recreational, and natural resources of the Gorge while encouraging compatible growth within existing urban areas of the Gorge region and allowing future economic growth.

The Commission functions as the permanent regional land use policy body for the Scenic Area, a 292,000-acre region stretching along both shores of the Columbia River for 80 miles, just east of the Portland OR-Vancouver WA metropolitan area to the mouth of the Deschutes River. The Columbia River Gorge encompasses parts of three counties in Oregon (Hood River, Multnomah, and Wasco) and three in Washington (Clark, Skamania, and Klickitat) and includes 13 designated Urban Areas. The Commission consists of 13 members, one appointed by each of the six counties within the Scenic Area, six appointed by the two states (three by each Governor), and one ex officio, non-voting member appointed by the U.S. Secretary of Agriculture. The Commission's office is in White Salmon, Washington, and its staff are employees of the State of Washington.

The Commission's legislatively adopted budget is comprised of two basic programs – Joint Expenses and Commissioner Expenses. The Joint Expenses program represents all operational activities of the Commission except for the expenses of each state's appointed commissioners. Expenditures for joint program activities are required by law to be equally shared by Oregon and Washington.

The Commission has an oversight role for the entire Scenic Area and functions as a facilitator and resource for collaborative regional efforts. Commission responsibilities include the adoption and maintenance of a management plan, review, and approval of local land use ordinances for the Scenic Area, appellate review of decisions made under the ordinances, and coordination of Gorge resource development efforts envisioned by the Scenic Act. The Commission adopted the initial management plan in 1991. Under the management plan, the Commission sets policy for land use and resource protection on non-federal lands in the Gorge, monitors implementation of the plan, ensures that Scenic Area ordinances are effective, and facilitates enhancements of the economic, natural, scenic, cultural, and recreational resource elements of the Scenic Area. Five of the counties are implementing the management plan through locally adopted land use ordinances. Klickitat County, Washington, has not adopted land use ordinances, leaving review of proposed developments to the Gorge Commission. The Commission has one position dedicated for this purpose entirely paid with funding from the State of Washington.

Revenue Sources and Relationships

The Scenic Act was approved at the federal level, and the intent of the states was to maintain a level of local control as expressed through a bi-state compact. The Columbia River Interstate Compact is a binding legal document that requires each state to pay its Commission members' expenses and to contribute equally to operating costs to perform all functions and responsibilities in accordance with the Compact and Act. Because of this requirement, the budget is, in effect, set by the state appropriating the lesser amount for the joint operational expenses. The Commission has also received grant funding in the past for monitoring program activities and other special project work from the federal government. These grant funds are generally not factored into the development of the Commission's operating budget. The Commission collects no revenue from fees, licenses, or assessments.

Budget Environment

The proximity of the entire Gorge area to the Portland/Vancouver population base affects planning efforts with pressures for new development, changing composition of urban areas, availability of affordable housing, uses of resource lands, and increased visitation to tourism and recreation sites. As the regional planning agency, the Commission must work with stakeholders to ensure these pressures are dealt with in a manner consistent with the requirements of the National Scenic Area Act. The broad mission of the Commission results in many interpretations by the various individuals and groups that recreate and live in the Columbia River Gorge. This has led to controversy regardless of which side of an issue the Commission chooses.

According to the Commission, base funding levels for Commission activities represent the most limiting factor affecting fulfillment of key strategies and mandated responsibilities. Oregon and Washington frequently propose funding at different levels. This significantly impacts the Commission because any reduction in one state's funding of the joint expenses program will reduce the other state's contribution by the same amount. For 2023-25, the Washington legislature passed their budget first at a higher level than what the Oregon legislature included in its budget, so the combined budget is based on the Oregon budget. The joint Commission budget now supports an executive director, legal counsel, four planners, an administrative analyst, and a GIS/planner.

The Commission is currently working on an Access Database Replacement project. The project will be implemented through the purchase of an industry standard, customizable, off the shelf cloud-based workflow license. Phase 1 was funded in 2021-23 and phase 2 resources are included in the 2023-25 budget for migration and execution of the project. This project had received endorsement from both State's Information Technology oversight agencies as well as the Legislative and Executive branch budget offices.

Legislatively Adopted Budget

The CRGC 2023-25 legislatively adopted budget of $2.3 million General Fund represents a $884,697, or 62.8%, increase from the 2021-23 legislatively approved budget. The primary reason for the increase is the one-time $905,000 General Fund increase for Oregon's share of phase 2 of the replacement project for the current Access Database. Phase 1 was completed in 2021-23 at an Oregon cost of $212,500 which was phased out of the 2023-25 budget. Phase 2 will digitize, index, and file over 35 years of paper files and permits as well as to improve the Commission's ability to reach out and work with landowners and agencies. On-line permitting will also be improved.

The 2023-25 budget also increases the FTE from half-time to full-time for the Geographic Information System (GIS) manager position. The workload and additional responsibilities including improving public web-mapping, data sharing, landowner development permits, and GIS integration with phase 2 of the replacement project merit the increase. The position also serves as the information security liaison and provides technical support for the Commission. An additional $5,638 General Fund is included in the budget for Oregon's share of the increased lease costs of the Commission's Office in White Salmon WA.

ELLIOTT STATE RESEARCH FOREST AUTHORITY

Analyst: Gibson

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	--	--	4,002,152
Total Funds	**--**	**--**	**--**	**$4,002,152**
Positions	--	--	--	3
FTE	--	--	--	1.73

<u>Overview</u>
The publicly owned Elliott State Research Forest was created by the legislature via the passage of SB 1546 during the 2022 Legislative session. The measure also created the Elliott State Research Forest Authority, a new state agency that is tasked with operating and overseeing the Forest and necessary infrastructure. The Authority is to be governed by a seven- or nine-member Board of Directors appointed by the State Land Board immediately after the operative date of the measure, on January 1, 2024.

Several tasks were identified in SB 1546 that were to be completed on or before July 1, 2023. Delays in completion of some of these tasks prompted the passage of SB 161 (2023) that delayed the completion date requirement to December 31, 2023. Some of these tasks and their status as of the end of the 2023 legislative session are:

- The State Land Board ensures that financial obligations to the Common School Fund related to the Elliott State Forest are satisfied (completed).
- The State Land Board votes to decouple the Elliott State Forest from the Common School Fund (completed).
- The National Marine Fisheries Service and the U.S. Fish and Wildlife Service jointly publish a notice of the availability of a final habitat conservation plan for the Elliott State Forest pursuant to the Endangered Species Act of 1973 and a final environmental impact statement for the forest pursuant to the National Environmental Policy Act (in process).
- The Department of State Lands (DSL) contracts for third-party expertise to provide input to inform the Department's review of a plan submitted by OSU to address the financial viability of forest operations and management consistent with the mission and management policies described in this measure, and DSL concludes that the plan demonstrates financial viability (in process).
- The State Land Board approves a forest management plan for the Elliott State Research Forest (in process).
- The Board of Trustees of Oregon State University (OSU) authorizes the university to participate in management of the Elliott State Research Forest (in process).

<u>Revenue Sources and Relationships</u>
Although the intent of the enabling legislation was to have the Elliott State Research Forest be self-sustaining, this may take several years due to the development of sustainable harvests in alignment with pending forest management plans, development of alternative income sources such as carbon credit sales, and the finalization of research goals and timelines. In the meantime, other revenue sources will be required to subsidize agency operational activities. For the 2023-25 biennium, budgetary support through the General Fund has been identified for limited administrative functions of the agency until a full biennial budged can be developed.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Elliott State Research Authority totals $4 million General Fund, which assumes initial expenditures for the 18 months remaining in the biennium following January 1, 2024. The budget supports the following three permanent full-time positions (1.73 FTE): an Executive Director (0.75 FTE), Executive Assistant (0.60 FTE), and Operations and Policy Analyst (0.38 FTE). The difference in FTE count reflects staggered hiring dates among the positions.

The budget anticipates administrative expenditures totaling $599,902 and $3.4 million in professional services contract funding for the research forest operations provided by OSU, as identified in statute and upon approval of the OSU Board of Trustees. It is anticipated that the Legislature will re-examine the agency's budget during the 2024 legislative session and adjust as needed once the agency has begun operations.

In addition to the funding provided directly to the Elliott State Research Forest Authority, the adopted budget for the Department of State Lands provides $1.6 million in Other Funds expenditure limitation and authorized the establishment of an Operations and Policy analyst position (1.00 FTE) to serve as the transition coordinator through the handover of the operations of the Elliott State Forest to the Elliott State Research Forest Authority as of January 1, 2024. Most of the expenditure authority ($1.2 million) supports fire patrol assessments and professional services contracts for maintenance activities including maintaining the road system for safe public access, reforestation as required under the Oregon Forest Practices Act, and general property administration.

DEPARTMENT OF ENERGY

Analyst: Gibson

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,940,000	107,145,789	1,582,333	55,621,037
Lottery Funds	3,023,362	3,022,570	1,439,160	1,439,160
Other Funds	26,967,601	89,319,041	54,192,131	108,324,936
Other Funds (NL)	66,853,785	31,659,374	29,356,709	29,356,709
Federal Funds	3,138,598	3,562,705	3,588,286	9,300,643
Total Funds	**$101,923,346**	**$234,709,479**	**$90,158,619**	**$204,042,485**
Positions	83	100	83	123
FTE	80.02	94.82	81.50	118.61

Overview

The Oregon Department of Energy (ODOE) was established in 1975 to promote energy conservation and the development of renewable energy sources. ODOE strives to help Oregonians make informed decisions and provide safe, equitable, clean, and sustainable energy for our state. This aim is founded on a five-part strategy: provide a central repository of energy information and analysis; serve as a venue for problem-solving Oregon's energy challenges; provide energy education and technical assistance; administer industry regulation and oversight; and manage statutorily authorized energy programs and activities. ODOE encourages energy conservation through public information and incentive programs for implementing energy efficient technologies in residences, public sector buildings, and private sector businesses.

ODOE provides staff support to the following statutory boards:

- The Energy Facility Siting Council is a seven-member citizen board appointed by the Governor, charged with deciding whether large energy facilities may be built in Oregon; regulating the construction, operation, and decommissioning of energy facilities; and overseeing the disposal of low-level radioactive wastes.
- The Oregon Hanford Cleanup Board is a 20-member board which addresses clean up issues at the nuclear site and represents Oregon's interest in issues involving Hanford, with a focus on protecting the Columbia River and ensuring safe transportation routes for shipments of radioactive waste.
- The Oregon Climate Action Commission, which was renamed from the Oregon Global Warming Commission in HB 3409 (2023), recommends ways to coordinate state and local efforts to reduce greenhouse gas emissions per the Oregon's goals, and recommends efforts to help the state, local governments, businesses, and residents prepare for the effects of climate change.

The Department also lends expertise and staff support to a number of task forces, workgroups and advisory committees which provide guidance and recommendations to the Department as well as state leadership and policy makers. ODOE convenes rulemaking advisory committees as needed to assist in creating and updating proposed agency administrative rules.

The ODOE budget is comprised of five major program units: Energy Planning and Innovation, Energy Development Services, Nuclear Safety and Emergency Response, Energy Facility Siting, and Administrative Services.

Energy Planning and Innovation - This program develops and recommends state policy and goals relating to energy conservation, alternative fuels and renewable energy resources for energy independence, economic development, and the reduction of greenhouse gas emissions. The Division provides research services and technical assistance, has a role in implementing Oregon's Renewable Portfolio Standard, operates the State Energy Efficiency Design (SEED) program and the Energy Efficient Schools program, and works to improve energy efficiency throughout Oregon's buildings and vehicles. The Division is primarily supported by Other Fund revenues from assessments, charges, and fees for service. The Division also receives funding from the Bonneville Power Administration for two positions on the Northwest Power and Conservation Council, and Federal Funds revenue from the recurring U.S. Department of Energy's State Energy Program (SEP) formula grants.

Energy Development Services - This program administers financing and incentives for businesses, households, and the public sector to reduce the cost of energy for Oregonians through energy efficiency, renewable energy, and the use of alternative transportation. The Division administers programs designed for statewide delivery, such as the Solar and Storage Rebate Program, the Energy Efficient Wildfire Rebuilding Program, the heat pump programs, and the Community Renewable Energy Grant Program. The Division is primarily supported by General Fund for delivery of statewide energy programs, and corresponding Other Funds expenditure limitation to expend the balances of General Fund deposited in the distinct funds established for ODOE programs. Additional Other Funds revenue is sourced from interest earnings on beginning balances and borrower-paid principal and interest received under the Small-Scale Local Energy Loan program (SELP). The SELP program is no longer making loans, but ODOE is servicing existing loans and making outstanding bond payments. The Division also receives Lottery Funds allocated for debt service payments.

Nuclear Safety and Energy Emergency Preparedness - This program protects Oregonians from potential exposure to hazards by monitoring radioactive waste cleanup activities at the Hanford nuclear site; preparing and testing nuclear emergency preparedness plans; participating in emergency preparedness planning for Liquefied Natural Gas terminals; and overseeing the transport of radioactive material through Oregon. The Division also manages the state's Petroleum Contingency Plan, which ensures emergency and essential services receive priority access to fuel during emergency situations. The Division is primarily supported by federal revenue from the U.S. Department of Energy, dedicated to oversight of the Hanford environmental cleanup and related emergency planning and response activities. Additional revenue sources include federal grants for transportation-related emergency planning, fees for transportation of radioactive waste, and charges for emergency planning services.

Energy Facility Siting - This program works with energy facility developers and operating energy facilities to meet the state's energy needs by ensuring large power plants, transmission lines, and natural gas pipelines are built in accordance with Oregon's requirements. Siting is a long-term, multi-year endeavor involving multiple stakeholders, site visits, interdisciplinary studies, public hearings, and ongoing monitoring from planning, to construction, and throughout operation of the facility. The program coordinates the energy facility siting process, oversees compliance with existing site certificates, and coordinates federal energy siting projects for the state. The Division is funded with Other Funds revenue from cost recovery fees paid by facility siting applicants or site certificate holders. The Energy Supplier Assessment (ESA) supports the Energy Facility Siting Council and facility siting activities not attributable to a specific applicant or certificate holder.

The Administrative Services Division - This division includes the Director's Office and the Central Services program area. The Director's Office provides operational and policy leadership and direction for the agency. Other Director's Office functions include internal audits, communications, human resources, and legislative coordination. Central Services provides shared support services, including budgeting, accounting, contracting, information technology, facilities, records management, and office reception. The Administrative Services Division is primarily funded with Other Funds revenues generated from the ESA and funds transferred from the Department's other divisions through a federally approved indirect cost recovery model. Revenues also include a small amount of Federal Funds from the SEP formula grants, and reimbursements received from the Bonneville Power Administration for costs associated with supporting the Northwest Power and Conservation Council.

Revenue Sources and Relationships

The Department is predominately funded through the collection of fees for service, grants, and assessments, and General Fund appropriations. As recently as 2019-21, Other Funds revenues had supported 92% of the Department's budget. However, ODOE's revenue sources have shifted considerably since then. In 2021-23, ODOE received significant one-time General Fund investments for statewide energy programs, increasing the Department's General Fund appropriation from nearly $2 million in 2019-21 to over $107 million in 2021-23. The 2023 Legislature reappropriated $6 million in unspent one-time General Fund, and invested an additional $48 million, predominantly in one-time funding. Of this total, $32 million was deposited into funds established separately from the General Fund and spent as Other Funds. The resulting change in the Department's composition of total available revenues over the last two biennia is significant. However, excluding one-time investments, ODOE's Other Funds Nonlimited revenues associated with the SELP program, including loan repayments, interest, and investment earnings, continue to be the largest source of revenue for the Department.

Other Funds Limited revenues are generated through fees and assessments that fund most programs and services provided by the Department. Fees support the agency's energy incentive and tax credit programs, Energy Facility Siting program, and radioactive waste transportation. Charges for services include revenues received for certification of industrial energy efficiency projects; charges collected from state agencies for the SEED program; service charges from the Northwest Energy Efficiency Alliance for codes training; and the Public Purpose Charge to provide administrative and technical support to schools. The Public Purpose Charge, established by SB 1149 (1999) and amended in HB 3141 (2021), is a 1.5% charge collected from Portland General Electric and Pacific Power customers to support the Energy Efficient Schools program.

Policy development, planning, technical analysis, and agency support services are funded with the Energy Supplier Assessment (ESA) levied annually on energy suppliers in Oregon. This ESA is capped in statute (ORS 469.421) at 0.375% of an energy supplier's gross operating revenues on energy sales in the state and is expected to generate approximately $16 million in the 2023-25 biennium based on the legislatively adopted budget. The Department aims to maintain a minimum ESA ending balance equal to at least four months of operating expenditures, or approximately $2.5 million for the 2023-25 biennium. Bolstered by significant savings carried over from pandemic under-spending, ODOE projects an ending balance of $4.5 million in ESA revenues at the end of the 2023-25 biennium. As the assessment is intended to cover the costs of programs and activities for each fiscal year, any balance in excess of the target ending balance will be applied as credit to the next assessment.

The Department's Lottery Funds pay for the debt service on lottery bond proceeds previously used to provide energy loans, and recurring Federal Funds support nuclear safety programs and clean energy activities through the U.S. Department of Energy's SEP formula grant. ODOE's Federal Funds revenue is anticipated to increase considerably in 2023-25, driven by federal investment in energy and climate grant opportunities.

Budget Environment

With the passage of the federal Infrastructure Investment and Jobs Act (IIJA) and 2022 Inflation Reduction Act (IRA), ODOE is eligible for various emerging federal grant opportunities. In September 2022, the Emergency Board approved the Department's request to submit a grant application to the U.S. Department of Energy (USDOE) for the first year of a five-year formula grant program to prevent outages and enhance the resilience of the electric grid. This Grid Resilience grant is expected to provide approximately $10 million each year over a five-year period. Additionally, the December 2022 meeting of the Emergency Board approved the Department's request to apply for USDOE's SEP formula grant. The SEP grant was originally created by Congress in the 1970's and has been a fairly constant source of funding for energy planning, policy and program development, awarding about $1 million biennially. The IIJA increased the amount of SEP funding available to states, and Oregon was allocated $6 million, without match requirement. Moreover, the IRA made the single largest investment in climate and energy initiatives in American history; authorizing $369 billion for clean energy and climate change-related endeavors.

Toward the close of the 2021-23 biennium, the Department pursued approximately $254 million in additional federal grant opportunities; most of which are formula allocations without match requirements. These include:

- *Home Electrification and Appliance Rebates* - USDOE allocated $57 million for Oregon with no match requirement to provide households with discounts for high-efficiency home appliances over eight years.
- *Home Efficiency Rebates* - USDOE allocated $57 million for Oregon with no match requirement to provide households with discounts for efficiency upgrades over an eight-year period.
- *Energy Efficiency and Conservation Block Grant program* - USDOE allocated $2 million for Oregon with no match requirement, of which at least 60% must be sub-granted to local governments. This will be available until expended.
- *Solar For All* - ODOE has applied for $138 million from the U.S. Environmental Protection Agency, with no match requirement, to improve accessibility to solar technology for low-income households and disadvantaged communities over a five-year period. Awards will total $7 billion, with a range of $25 million to $400 million.

These federal funding opportunities and programs are expected play a substantial role in ODOE activities during the 2023-25 biennium. Not only will the Department need to apply resources to develop and deliver new and expanded programs, but there will be a significant impact as external entities who may be eligible for funding opportunities seek the Department's technical assistance, collaboration and/or partnership. ODOE is faced with immense growth in both the statewide and federal programs, intended for delivery over limited periods of time. This will pose a challenge to be strategic with resource allocation, planning, staffing, administration and oversight; and to seek inter-program efficiencies where possible, bolstering capacity to effectively deliver new programs.

During the 2021 legislative session, HB 2021 established clean energy standards for Oregon and set requirements for electricity providers to reduce greenhouse gas emissions associated with electricity provision to Oregon customers. The reduction is targeted at 80% below baseline emissions level by 2030, 90% below baseline emissions level by 2035, and 100% below baseline emissions level by 2040. As the state strives to meet these clean energy requirements, ODOE is responsible for assisting state policy makers, businesses, and communities navigate the transition by providing technical information and policy development to support informed decisions. Additionally, ODOE assists individuals and communities through the transition by providing incentives to reduce the cost of clean energy technologies. All agency divisions play a role, including but not limited to, research and analysis, siting clean energy facilities, and providing energy resilience and security planning. As we move closer to the benchmarks of the emission reduction requirements, the resource demand and involvement of ODOE will intensify. Along with increased technical assistance to stakeholders, partners and interested parties, ODOE is expected to conduct a study on small scale renewable energy development; implement restrictions on new natural gas plants; collect attestations and documents around the new labor standards; and develop and administer the new Community Renewable Investment Program. The policy issues and associated workload of supporting Oregon's clean energy transition will be integral in ODOE's operations for several biennia to come.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for ODOE is $204 million total funds, including 123 positions (118.61 FTE). Although this represents a decrease of 13% from the 2021-23 legislatively approved budget, the total funds for the 2023-25 legislatively adopted budget more than double the Department's current service level budget. This is attributable to a $54 million influx of General Fund investments and a doubling of Other Funds expenditure limitation. The Department's 2023-25 budget bill (HB 5016) included nearly $9 million General Fund on a one-time basis, and the majority of additional investments were included in HB 3409, HB 3630, and SB 5506, largely as part of the statewide climate package.

HB 5016 (2023) included over $10 million General Fund, $1 million Lottery Funds, $105 million Other Funds, and $4 million Federal Funds expenditure limitation, as well as 101 positions (95.04 FTE). The measure provided $31 million total funds and 18 positions (13.54 FTE) above the Department's current service level budget. Investments were included in nine policy packages, as follows:

- Included a permanent GIS Research Analyst (0.88 FTE) supported by 66% Federal Funds from the SEP grant and 34% Other Funds from the ESA, to produce visualizations and manage GIS databases.
- Established an Energy Research Fund with $250,000 Federal Funds from the SEP grant.
- Included three limited duration positions (0.63 FTE) and $2 million Other Funds expenditure limitation to continue the Solar and Storage Rebate Program.
- Reappropriated $6 million unspent General Fund to continue delivery of the Wildfire Rebuilding Program which incentivizes energy efficiency for wildfire survivors who are rebuilding and repairing structures that were destroyed or damaged in the 2020 wildfires.
- Added six limited duration positions (4.39 FTE) and $19 million Other Funds expenditure limitation to continue delivery of the heat pump programs.
- Established two limited duration facility siting positions (1.88 FTE) to support growth in state-jurisdictional energy projects.
- Added one permanent full-time position (0.88 FTE) to support environmental justice engagement and requirements of HB 4077 (2022)
- Included $3 million General Fund and two positions (1.88 FTE) to meet the grant match requirement for the first two years of the Grid Resilience grant from USDOE. This is a five-year grant, requiring annual application and a 15% grant match. If the Department is unable to secure approximately $5 million in matching funds from partners and/or identify allowable in-kind match, ODOE will need to return to the legislature to request additional state funding for the remaining years of the Grid Resilience grant.

HB 3409 (2023) was the primary measure for the 2023 statewide climate package. The measure provided nearly $10 million General Fund to ODOE, largely on a one-time basis, as well as 12 positions (9.51 FTE) to deliver programs that develop and incentivize energy performance standards for commercial buildings; deploy at least 500,000 new heat pumps; establish the net biological carbon sequestration and storage baseline for natural and working lands; and provide staff support for the Oregon Climate Action Commission. The measure also extended the sunset for the Solar and Storage Rebate Program to January 2, 2029, and the sunset for the Residential Heat Pump Program to January 2, 2026.

HB 3630 (2023) was a companion bill to HB 3409 and contained climate package investments specifically relating to energy. The measure provided approximately $5 million General Fund to ODOE as well as six positions (5.40 FTE) to establish a program providing assistance to environmental justice communities related to energy projects and activities; develop and periodically update a comprehensive state energy strategy; establish a grant program to help counties develop energy resilience plans; and to create a centralized information hub for assistance in identifying contractors and financing options related to energy efficiency incentives and programs.

Finally, SB 5506 (2023) was the omnibus bill, which passed at the end of session containing investments for ODOE of $31 million General Fund and over $30 million Other Funds expenditure limitation, as well as four positions (8.62 FTE). The majority of these investments were one-time in nature and funded by the statewide climate package. These included $20 million General Fund for deposit into the Community Renewable Investment Fund as well as the corresponding $20 million Other Funds expenditure limitation; $10 million General Fund for deposit into the Rooftop Solar Incentive Fund for benefit of the Solar and Storage Rebate Program, as well as the corresponding Other Funds expenditure limitation; and $200,000 General Fund for Oregon's contribution towards a proposal for establishing a regional hydrogen hub. The measure also included ODOE investments and adjustments that were not part of the climate package. These included a $300,000 General Fund reappropriation to finish a cooling study as directed by SB 1536 (2022); additional FTE, extending limited duration positions for the entire biennium related to the sunset extensions included in HB 3409; additional administrative and programmatic staffing capacity; and over $5 million Federal Funds expenditure limitation related to the USDOE SEP grant award.

DEPARTMENT OF ENVIRONMENTAL QUALITY

Analyst: McDonald

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	55,904,792	109,846,109	75,336,257	83,896,698
Lottery Funds	4,927,022	6,263,319	6,454,397	6,437,743
Other Funds	195,653,710	303,195,302	277,466,370	307,250,720
Other Funds (NL)	163,034,529	244,000,055	201,191,800	291,351,800
Federal Funds	22,625,396	30,134,046	31,420,207	41,066,125
Total Funds	**$442,145,449**	**$692,438,831**	**$591,869,031**	**$730,003,086**
Positions	790	833	815	866
FTE	766.04	814.60	809.23	854.81

Overview

The Department of Environmental Quality (DEQ), with policy direction from the five-member Environmental Quality Commission, administers the state's laws regulating air, water, and land pollution. The Department establishes the standards for clean air, water, and land; determines whether or not these standards are being met; and takes action to enforce the standards when necessary. The agency attempts to use technical assistance and education whenever possible to enhance compliance. The Department also manages the federally delegated Clean Air, Clean Water, and Resource Conservation and Recovery Act programs. In addition to the federal environmental programs, DEQ administers the state environmental programs in the areas of solid waste management, planning, and recycling; groundwater protection; and environmental cleanup. The DEQ budget is comprised of five major program units: Air Quality, Water Quality, Land Quality, Agency Management, and Pollution Control Bonds.

Air Quality – This program area is responsible for compliance with federal and state air quality standards. The program monitors air quality to protect public health through the development and implementation of pollution reduction strategies. The primary sources of air pollution in Oregon are motor vehicles, forest debris burning, woodstoves, industrial facilities, field burning, and area sources that individually emit small amounts of air pollution but are collectively significant. The federally delegated air quality program includes statewide air quality monitoring and emissions inventory, strategic planning for pollution reduction, and a permit system. Permits are issued under two industrial source air quality programs operated by the Department; the federally delegated Title V permit for large industrial sources and the state Air Contaminant Discharge Permit program for medium and small sources. Other programs within Air Quality include, the Cleaner Air Oregon program, Green House Gas Reporting program, Vehicle Inspection Program, Electric Vehicle Rebate Program, and the Volkswagen Settlement Distribution Program.

Water Quality – This program area's primary functions are setting and monitoring water quality standards and assessments, controlling wastewater through permits and certifications, providing financial and technical assistance, implementing the Oregon Plan for the restoration of salmon populations and watersheds, and implementing portions of the Safe Drinking Water Act. The Department is responsible for two permit systems, the federally delegated National Pollutant Discharge Elimination System (NPDES) for discharges into surface waters and the state Water Pollution Control Facility (WPCF) permit program for all discharges such as sewage lagoons and effluent irrigation. The Water Quality program also operates the nonpoint source pollution program in Oregon. Nonpoint source pollution is not attributable to a specific source point and includes storm water runoff from roads, construction sites and farms.

Land Quality – This program area focuses on preventing and reducing waste generation, assuring that waste generated is properly managed, responding to emergency spills, and cleaning up sites contaminated with hazardous substances and uncontrolled releases of toxic chemicals. Activities are organized into the five main subprogram areas of solid waste: materials management, hazardous waste, underground storage tanks, environmental cleanup, and emergency preparedness and response. In each area, the Land Quality program focuses on the hierarchy of waste management, starting with prevention, reduction, reuse, recycling, recovery, and ending with proper disposal. Land Quality operates the federally approved solid waste landfill compliance program and the federally delegated hazardous waste program.

Agency Management – This program provides leadership, coordination, and support for DEQ and staff assistance for the Environmental Quality Commission. Agency Management includes the Office of the Director, the Office of Policy and External Affairs, and the Central Services Division. Central Services consists of Financial Services, Human Resources, Information Systems and Technology, Training and Organizational Development, Public Records, and Health and Safety sections.

Pollution Control Bonds – The sale of pollution control bonds is used by the Department to finance the Clean Water State Revolving Fund (CWSRF) and the Orphan Site program. Bond proceeds are used to finance municipal wastewater facility construction and other water pollution reduction projects, as well as the cleanup of hazardous waste sites (orphan sites) where the responsible party is unknown, unwilling, or unable to pay for cleanup costs. CWSRF makes loans to local governments for the construction and upgrade of eligible wastewater treatment facilities and is funded primarily with Other Funds Nonlimited that originate as Federal Funds from the U.S. Environmental Protection Agency (EPA).

<u>Revenue Sources and Relationships</u>

The federally delegated clean air program is primarily financed with permit and emission fees (such as the Air Contaminant Discharge Permit fee), supplemented by a General Fund appropriation and Federal Clean Air Act funds. Federal law requires that the cost of the permit program for major industrial sources be fully paid from emission fees through the Title V Permit Fee. Other non-General Fund sources include fees for asbestos certification and inspection, field burning permits, and the vehicle inspection program. The Vehicle Inspection Program is entirely supported by fees for certificates of vehicle emissions compliance, required as part of the vehicle's registration process in the Portland and Medford metropolitan areas.

The federally delegated state water pollution permit programs are financed from a combination of sources – the General Fund, industrial and municipal fees, and Federal Clean Water Act funds. The primary Other Funds sources of revenue include industrial waste discharge permit fees, municipal wastewater permit fees, and subsurface sewage disposal fees. Other Funds sources also finance the administrative costs of the wastewater finance program. Federal Funds are received primarily under the Clean Water Act for operational expenses (Section 106) and for nonpoint source project grants (Section 319) and from other miscellaneous grant sources for a variety of program activities. The Water Quality program relies more heavily on state support for funding than any other program area and is the only program that receives dedicated Ballot Measure 76 Lottery Funds from the Oregon Watershed Enhancement Board.

The Oregon Constitution, Article 15, section 4b(2) dictates the percentage of lottery proceeds that shall be distributed as grants for fish and wildlife, watershed, and habitat protection, and that which may be used for agency operations. This distribution between grants and operations is required to adjust from 65%/35% to 70%/30% when the proceeds deposited in the Parks and Natural Resources Fund exceed the amount deposited in the fund during the 2009-11 biennium by 50%. This constitutional threshold was met in the 2021-23 biennium and is projected for the 2023-25 biennium as well. This effectively means at least a 5% reduction in available funding for agencies using Measure 76 Lottery Funds for operational purposes, such as DEQ.

Most Land Quality programs are financed almost entirely from dedicated Other and Federal Funds. The Solid Waste program is funded entirely by revenue from solid waste permit and disposal fees. Solid waste disposal fees, also known as “tipping” fees, are collected on waste disposed at municipal solid waste sites. DEQ also operates the federally delegated hazardous waste management program. General Fund and fees provide the 25% match required for the receipt of Federal Funds.

Finally, Agency Management programs are financed solely from indirect cost revenues. The indirect rate is currently calculated as a percentage of personal services expenditures; however, the Department is examining alternative rate models during the 2023-25 biennium. The actual rate is negotiated annually with EPA once the agency’s total budget is established and, in recent biennia, has been approximately 21% of all fund types.

Budget Environment

Air Quality – The EPA has delegated authority to DEQ to implement the federal Clean Air Act in Oregon, which includes programs to meet federal air quality standards and regulate Oregon industry through permitting, inspection and the removal of uncertified wood stoves when homes are sold. In addition to the negative health impacts on citizens, the penalties for failing to meet standards include increasingly costly control measures, limitations on the siting of new industry, and ultimately, loss of Federal Highway Funds.

In the past, nine areas in Oregon have failed to meet air quality standards and were officially declared nonattainment areas by the EPA: Portland, Salem, Eugene-Springfield area, Medford-Ashland area, Klamath Falls, Grants Pass, La Grande, Oakridge, and Lakeview. Each of these failed to meet standards for one or more of three criteria pollutants – ozone, carbon monoxide, and/or particulate matter. DEQ submitted attainment and maintenance plans to EPA for Portland, Salem, Medford-Ashland, Grants Pass, Lakeview, and La Grande areas and all plans have been approved. The Lane Regional Air Protection Agency (LRAPA) is the only regional authority in Oregon and is responsible for air quality assessment and protection activities for cities in Lane County. Rules and programs administered by LRAPA must be at least as stringent as those DEQ implements.

Title V of the federal Clean Air Act provides the regulatory framework for addressing emissions from “major sources” of air pollution. Major sources are defined by having annual emissions in excess of certain thresholds or are otherwise categorically subject to Title V requirements. The Act also provides the EPA with authority to delegate implementation of the program to states. Oregon was one of the first states to receive delegated authority in the mid-1990’s and has since operated the Title V program under agreement with the EPA. Permitting authorities must comply with minimum program requirements, which includes collecting fees sufficient to fund the program. Permit fees must cover all direct and indirect costs of the program; no other revenue source, including the General Fund, can legally support the Title V program.

Prior to the 2023 legislative session, DEQ had not significantly adjusted Title V fees in over 13 years, despite federal regulations becoming increasingly complex to administer. In mid-2022, the Department faced a revenue shortfall for the program, and began holding positions vacant. In March 2023, the EPA expressed written concern with Oregon’s stagnant fees and the impact this has had on maintaining adequate staffing levels. During the 2023 legislative session, DEQ introduced HB 3229, a fee bill for the Title V program intended to address the revenue shortfall and adequately staff the program once again. An amended version of HB 3229 passed, which will increase both the emissions fee and the base fee associated with the Title V program in a tiered approach during the 2023-25 biennium. The emissions fee is increased from $66.10 per ton of regulated pollutants emitted annually, to $95 per ton upon passage of the bill, and to $121 per ton as of January 1, 2024. The current base fee of $8,744 for a permitted entity is replaced with a fee of $12,504, which then increases to $16,002 as of January 1, 2024. Starting January 1, 2025, the Environmental Quality Commission may increase the fees once per year, not to exceed the cost of administering the federal operating permit program or 3%, whichever is lower, unless a larger increase is provided for in DEQ’s legislatively approved budget.

Fee revenue anticipated from HB 3229 is estimated to total just under $12 million in the 2023-25 biennium, and just over $12 million in the 2025-27 biennium. The Title V program costs for the 2023-25 biennium are estimated at $11 million, which includes expenditures for 32 positions, position-related services and supplies, and indirect costs for administrative services. Fee revenue should be sufficient to pay for the cost of administering the federal operating permit program, and to restore an ending balance for the program equivalent to four to six months of current operating costs.

In December 2022, the EQC adopted rules to establish the Climate Protection Program (CPP). This new regulatory program plans to dramatically reduce greenhouse gas emissions in Oregon over the next thirty years. The CPP sets a declining limit, or cap, on greenhouse gas emissions from fossil fuels used throughout Oregon, including diesel, gasoline, natural gas, kerosene, and propane. This includes emissions from fuels used in transportation, residential, commercial, and industrial settings. Additionally, the program directly regulates site-specific greenhouse gas emissions at certain manufacturing facilities.

The Community Climate Investment (CCI) program is part of Oregon's CPP, designed to help ensure a more equitable energy transition by prioritizing investments to directly benefit environmental justice communities, including low-income, BIPOC, coastal, rural, and tribal communities. DEQ has a significant oversight responsibility for the CCI program, including approving and contracting with third party entities, establishing, and supporting an equity advisory committee, and supporting development of workplans informed by the priorities of a wide range of Oregon communities. HB 3409 (2023) authorized the Environmental Quality Commission to establish a fee by rule that will be paid by community climate investment entities - or nonprofit organizations which have entered into an agreement with DEQ to implement projects supported by community climate investment funds; and the Department's budget bill (HB 5018) included four additional positions as well as General Fund and Other Fund expenditure limitation to fully implement the CPP.

DEQ continues to receive funds from the Volkswagen court settlement. The funds are a result of a court settlement with Volkswagen because select VW diesel powered passenger cars violated federal engine emission certification standards by the deliberate installation of emission control defeat devices. Of the original $68 million in available funds for Oregon, DEQ anticipates the Department will spend $13 million in settlement funding during the 2023-2025 biennium.

Water Quality – Under the federal Clean Water Act, either the state or federal government must operate programs to protect the quality of rivers, streams, lakes, and estuaries. DEQ must operate programs to carry out the mandatory requirements of the Clean Water Act that are acceptable to EPA in order to retain program delegation. The alternative would be EPA program assumption. Were EPA to operate the program, funding would likely be limited to the amount EPA now allocates to the state, which would only be sufficient to support enforcement activities.

DEQ has long struggled with a substantial backlog of state and federal wastewater permits. These permits, and the process surrounding them, are designed to protect public health and prevent environmental threats to Oregon's rivers, streams and lakes. A particular area of concern is the federal National Pollutant Discharge Elimination System (NPDES) permits for discharge of wastewater or stormwater. The NPDES permit is required by the Clean Water Act to be updated every five years, but when it is not, it automatically becomes "administratively extended". This means the permit-holder can still operate under the terms of the permit, even if water quality standards have changed since it was originally issued. In late 2018, the Department was directed by a Multnomah County court order to issue new, updated permits on all existing permits that are 10 years or older and to reduce the overall backlog to under 10% within a decade. Having permits that have not been renewed on time, and continue under outdated conditions, not only poses a potential detriment to the state's water quality, but also creates instability and uncertainty for local governments and businesses operating these facilities, as they may be faced with significant capital expenses related to upgrades when the permits are finally renewed. Oregon has had one of the worst records in the nation for out-of-date permits; however, over the past two biennia the backlog has been reduced from 81% in 2018 to about 59% by the end of 2022. Yet, DEQ's focus on implementing the recommendations for improvements to the NPDES program has resulted in prioritization of NPDES permits over the issuance of some other water quality permit types, such as Water Pollution Control Facility (WPCF) permits. According to the Department, ongoing process improvements, adopting and applying relevant best practices, and modernization for the Water Quality permitting program remain a critical focus for DEQ.

The Department established the Onsite Septic Financial Aid Program (OSFAP) in response to an allocation of $15 million in federal American Rescue Plan Act (ARPA) funds provided by HB 5006 during the 2021 legislative session. DEQ was directed to use the funding to provide financial assistance for septic system repairs, replacements, and/or sewer connections, with a particular focus on supporting low to moderate income households and recovery of wildfire affected areas of the state. OSFAP currently has 10 agreements in place with various public agencies and qualified institutions to fully utilize the $15 million in allocated ARPA funding. However, the distribution of funding for prioritized wildfire recovery projects has been particularly slow. DEQ reports challenges including that low to moderate income households are not rebuilding; are delayed in their rebuilding due to broader funding challenges; or that other funds were already accessed such as insurance; and many households that are rebuilding have incomes exceeding the eligibility criteria necessitated under ARPA. As a result, multiple agreements have been amended to address either unnecessary geographic limitations or overly restrictive metrics for household incomes. As of November 2023, the rate of funding distribution is improving. Over $1 million in financial assistance has been provided, supporting work on 90 septic systems, and representing a delivery of approximately 8% of the total funding. Grant recipient organizations are expected to request larger reimbursements for the fourth quarter of the 2023-25 biennium, as the construction season winds down. DEQ estimates 78% of funds will be disbursed by June 2025, and OSFAP funds will be fully expended by December 2026.

Land Quality – The Legislature passed the Plastic Pollution and Recycling Modernization Act (SB 582) in 2021 to update Oregon's outdated recycling system, with an effective date of January 1, 2022. The shared responsibility system created by the Act intends to build on local community programs and leverage the resources of manufacturers of packaging, paper products and food service-ware. This system-wide update aims to make recycling easier for the public to use; expand access to recycling services; upgrade the facilities that sort recyclables; and create environmental benefits while reducing social and environmental harms, such as plastic pollution. Producers and manufacturers will pay for many of the necessary improvements, and recycling program changes will start in July 2025. This much-anticipated program will continue to develop throughout the 2023-25 biennium, supported by fee revenue, and leveraging additional staff resources and expenditure limitation granted in the agency's 2023 budget bill. The resources will support DEQ's continued rulemaking, statewide reporting, and studies required to implement the Recycling Modernization Act. These studies will research and pilot programs to reduce contamination in recycling and evaluate fees related to contamination management and processor commodity risk.

Agency Management – All funding for Agency Management is generated through an indirect rate charge, which is assessed to the Department's programs to support centralized services and is expended as Other Funds. The Department negotiates the allowable indirect rate with the EPA each fiscal year and estimates the rate for the biennium as part of budget development. The Department endeavors to maintain an indirect rate where the ratio of Agency Management costs to program personal services expenditures is constant. As a result, lower personal services expenditures within the programs reduce Agency Management revenues and expenditures must then be adjusted accordingly. This can become problematic for a fully staffed Agency Management Division when the programs hold numerous vacancies, as less indirect revenue is received. In a budget note associated with HB 5018 (2023), DEQ was directed to undertake a comprehensive review of the Department's current indirect rate model and develop an alternative model that will provide more stability and mitigate the impact of agency hiring practices, among other factors.

<u>Legislatively Adopted Budget</u>
The legislatively adopted budget for the Department includes $84 million General Fund, $6 million Measure 76 Lottery Funds, $307 million Other Funds, $41 million Federal Funds, and 866 positions (854.81 FTE). The budget total also includes $291 million Other Funds Nonlimited for loans and debt service payments related to the Clean Water State Revolving Fund. The total funds budget is $730 million, which represents an increase of $38 million (or 5%) above the 2021-23 legislatively approved budget. This increase is driven by a $47 million increase in Nonlimited funding.

General Fund: The Department's General Fund appropriation is $26 million (or 24%) under that of the 2021-23 legislatively approved budget. This is predominantly due the phase out of $40 million General Fund associated with one-time investments supporting Zero Emission incentives for electric vehicle rebates, and Medium-Heavy Duty Infrastructure grants for charging stations. General Fund investments and adjustments in DEQ's 2023-25 legislatively adopted budget include:

SB 5018 - the Department's primary budget bill:

- $0.5 million to implement the Community Climate Investment Program. Funding provides for third party contracting to develop workplans informed by the priorities of a wide range of Oregon communities. This investment was funded by the 2023 statewide climate package.
- $0.6 million and establishment of two permanent positions (1.50 FTE) was provided to work with DEQ staff, regulated entities, governments at all levels and community-based organizations on issues related to Environmental Justice across the state. This investment was funded by the 2023 statewide climate package.
- $0.4 million and establishment of three permanent positions (2.38 FTE) was provided for regulatory oversight of onsite septic system permitting programs across the state. This investment was funded by the 2023 statewide drought package.
- $1 million and establishment of two limited duration positions (1.88 FTE) was provided to support stage 2 of the Oregon Water Data Portal Project. This investment was funded by the 2023 statewide drought package. An associated budget note directs the Department to report to the Joint Committee on Ways and Means on the status of the project during the 2024 legislative session.
- $1 million and establishment of three permanent positions (2.26 FTE) was provided for activities to protect groundwater with specific attention to areas experiencing contamination or threats to drinking water supplies, such as the Lower Umatilla Basin Groundwater Management Area.
- $0.2 million was provided to make permanent one existing limited duration position (1.00 FTE) to continue supporting the Onsite Septic System Financial Assistance Program, authorized in 2021.
- $2 million General fund was adjusted out of the Department's budget related to the Title V revenue shortfall package, phasing-out IT project funding from the "Your DEQ Online" project, and reductions to services and supplies and elimination of long-term vacancies (3.00 FTE).

HB 2010 - the primary bill for the 2023 statewide drought package:

- $0.7 million General Fund and the establishment of two permanent positions (1.50 FTE) and one limited duration position (0.88 FTE) was provided to support project management, policy evaluation, stakeholder engagement and coordination, develop recommendations, and draft the required reports related to the Department's water reuse or recycling programs as part of DEQ's place-based planning.

HB 3409 - the primary bill for the 2023 statewide climate package:

- $3 million General Fund was provided for deposit in the Zero-Emission Medium and Heavy-Duty Vehicle Incentive Fund.
- $0.4 million General Fund was provided for establishment of two positions (1.13 FTE), as well as the supportive services and supplies. One permanent, full-time Natural Resource Specialist 3 (0.63 FTE) and one seasonal, full-time Natural Resource Specialist 1 (0.50) were provided for the monitoring of harmful algal blooms, analysis of specific bodies of water, and development of management strategies.

SB 85 - relating to confined animal feeding operations:

- $0.2 million General Fund and the establishment of one limited duration position (0.79 FTE) was provided to develop rules and begin consulting work for NPDES permits for confined animal feeding operations in ground water management areas. The position is expected to continue as a limited duration part-time position at 0.25 FTE in the 2025-27 biennium.

SB 488 - relating to municipal solid waste incinerators:

- $0.1 million General Fund and the establishment of one limited duration position (0.44 FTE) was provided to review facility plans, sampling plans, and test reports, and to observe testing required by the owners or operators of municipal solid waste incinerators.

SB 931 - relating to sewage disposal system permits:

- $0.2 General Fund to perform rulemaking for community or area-wide sewerage system determinations.

SB 5506 - the 2023 Omnibus bill:

- $2 million General Fund was provided for debt service payments on a $10 million general obligation bond issuance scheduled for May 2024 (approved through HB 5005, 2023).
- $0.2 million General Fund was reduced from the agency's 2023-25 budget for adjustments related to state government service charges from the Department of Administrative Services.

Lottery Funds: The Department's allocation of Measure 76 Lottery Funds experienced little change from the 2021-23 approved budget to the 2023-25 adopted budget: increasing by $174,424 or 3%, driven by inflation and price list adjustments. The Department's 2023-35 budget is funded at $16,654 under current service level, due to adjustments to state government service charges in SB 5506.

Other Funds: The Department's Other Funds expenditure limitation is $5 million, or 2%, above that of the 2021-23 legislatively approved budget. Other Funds investments and adjustments in DEQ's 2023-25 legislatively adopted budget include:

SB 5018 - the Department's primary budget bill:

- $3 million in expenditure limitation and restoration of 11 abolished positions (11.00 FTE) was added to maintain current service levels and support effective administration of Title V requirements of the federal Clean Air Act.
- $0.8 million in expenditure limitation and establishment of three permanent positions (3.00 FTE) was provided to increase capacity to respond to tailpipe pollution from the transportation sector through policy and planning work.
- $0.3 million in expenditure limitation and establishment of one permanent position (1.00 FTE) was provided to support greenhouse gas reduction programs, including the Climate Protection Program and the Clean Fuels Program.
- $1 million in expenditure limitation and establishment of four permanent positions (4.00 FTE) was provided for implementation of the Climate Protection Program, which sets declining and enforceable limits on greenhouse gas emissions from the use of fossil fuels. This investment is supported by revenue from a Community Climate Investment fee established in HB 3409 as part of the 2023 statewide climate package.
- $0.2 million in expenditure limitation and establishment of seasonal Student Professional (0.25 FTE) was provided to bolster regulatory oversight of onsite septic system permitting programs across the state. This investment was included the 2023 statewide drought package.
- $11 million in expenditure limitation was provided to continue the provision of the Onsite Septic System Financial Assistance Program, authorized by the Legislature in 2021, and supported by American Rescue Plan Act funding.

- $0.2 million in expenditure limitation and establishment of one permanent position (1.00 FTE) was provided to support Emergency Response program efforts to mitigate, prepare, respond to, and recover from releases of oil and hazardous materials along waterways, and other culturally, economically, or ecologically sensitive environments.
- $2 million in expenditure limitation and establishment of four permanent positions (4.00 FTE) was added to continue implementing the Plastic Pollution and Recycling program, as provided by SB 582 (2021). This increase is supported by fees paid by producers of packaging, paper products, and food service-ware.
- $3 million in expenditure limitation for the establishment of six permanent positions (6.00 FTE), as well as the increase in an existing position (0.56 FTE), to provide staffing capacity for pursuing strategic outcomes derived from the 2050 Vision for Materials Management report.
- $0.2 million in expenditure limitation and establishment of one permanent position (1.00 FTE) was provided to administer the Underground Storage Tank program. This increase is supported by revenue from annual per-tank compliance fees.
- $2 million in expenditure limitation and establishment of nine permanent positions (7.50 FTE) was provided to the Agency Management division to meet the new demand on central services following the approval of other investments. The positions are funded through the division's indirect rate assessment.
- $0.3 million in expenditure limitation and establishment of two permanent positions (1.50 FTE) was provided to support the growing body of work related to federal and state grant administration.
- $0.6 million in expenditure limitation is provided for procurement of a commercial off the shelf loan portfolio management software to replace the Clean Water State Revolving Fund manual system.

SB 5506 - the 2023 Omnibus bill:

- $5 million in expenditure limitation was provided to expend a portion of the proceeds from $10 million in general obligation bonds approved through HB 5005 (2023). The bond proceeds will replenish the Orphan Site Account which is used to fund investigations and cleanup at orphan sites and to meet Oregon's obligations at federally funded Superfund sites. Oregon must contribute at least 10% of the EPA's cleanup costs and pay 100% of long-term ongoing maintenance costs at Superfund sites. The Department typically spends the proceeds over two consecutive biennia before making another request for additional Orphan Site bonds.
- $0.4 million in expenditure limitation was provided for the cost of issuing $10 million in general obligation bonds in May 2024, as well as utilizing interest earnings to pay a portion of the debt service.
- $3 million in expenditure limitation was provided to expend the General Fund deposit in the Zero-Emission Medium and Heavy Duty Vehicle Incentive Fund.
- $1 million in expenditure limitation was reduced from the agency's 2023-25 budget for adjustments related to state government service charges from the Department of Administrative Services.

Other Funds Nonlimited: The Department's 2023-25 biennial budget includes $70 million Other Funds Nonlimited attributed to the CWSRF program for issuing below market interest rate loans to local governments for the construction and upgrade of eligible wastewater treatment facilities. The Federal Water Quality Act created the CWSRF and requires states to match federal dollars with state funds in an amount at least equal to 20% of the federal capital grant. DEQ issues General Obligation bonds for the purpose of the match, which has been authorized by the state Bond Bill each biennium. Other Funds Nonlimited was also increased by $20 million for the debt service payments on the issued bonds.

Federal Funds: The Department's Federal Funds expenditure limitation is $11 million, or 36%, above that of the 2021-23 legislatively approved budget. This is primarily attributable to grants awarded between October and June of 2023. Federal Funds increases in DEQ's 2023-25 legislatively adopted budget included:

SB 5018 - the Department's primary budget bill:

- $1 million in expenditure limitation for establishment of three permanent positions (3.00 FTE), as well as services and supplies to support work related to awarded Infrastructure Investment and Jobs Act grants.
- $6 million in expenditure limitation for the Columbia River Basin Toxics Reduction Lead Grant from the EPA.
- $2 million in expenditure limitation and establishment of a permanent, federally funded, position (0.88 FTE) for implementation of the Climate Pollution Reduction Planning grant from the EPA. The planning grant has a four-year delivery period, and the body of work will likely continue from the initial planning grant into implementation grants.
- $1 million in expenditure limitation to implement the Sewer Overflow and Stormwater Reuse Municipal Grant program.

DEPARTMENT OF FISH AND WILDLIFE

Analyst: Gibson

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	32,498,158	75,423,846	53,351,295	65,380,543
Lottery Funds	6,843,203	6,886,493	6,666,899	6,818,260
Other Funds	183,332,158	241,225,932	236,481,429	269,869,883
Federal Funds	116,670,691	164,221,470	162,853,100	213,500,258
Total Funds	**$339,344,210**	**$487,757,741**	**$459,352,723**	**$555,568,944**
Positions	1,348	1,386	1,355	1,365
FTE	1,152.15	1,180.05	1,166.44	1,178.63

Overview
The Oregon Department of Fish and Wildlife (ODFW), under direction of its seven-member Commission, manages the fish and wildlife resources of the state. The agency's mission is to "protect and enhance Oregon's fish and wildlife and their habitats for use and enjoyment by present and future generations." By law, the Department is charged with managing wildlife to prevent serious depletion of any indigenous species and with managing fish to provide the optimum economic, commercial, recreational, and aesthetic benefits. ODFW manages the state's fish and wildlife policies through four primary divisions: Fish, Wildlife, Habitat and Administrative Services. Enforcement of the state's fish and wildlife laws is provided by the Oregon State Police, Fish and Wildlife Division.

The Fish Division consists of the Inland Fisheries and Marine and Columbia River Fisheries programs and has primary responsibility for managing fish resources within the state:

- Inland Fisheries program – ensures the conservation and sustainable use of fish populations within the inland areas of Oregon. The program provides policy and direction for Oregon's freshwater fishery resources, ensuring native species are conserved and their habitats are protected and restored. The Division also fosters and sustains opportunities for sport, commercial, and tribal fishers to catch hatchery and naturally produced fish, consistent with the conservation of native fish.
- Marine and Columbia River Fisheries programs – manages fish and shellfish in both the mainstream Columbia River and the ocean. The program plays a pivotal role in protecting and enhancing fish and shellfish populations and their habitats by applying science and monitoring to adapt management strategies in response to changes. These efforts help at-risk species move toward recovery while optimizing fishing opportunities on a platform of conservation.

The Wildlife Division consists of the Wildlife Management and Wildlife Conservation programs and has primary responsibility for managing wildlife resources throughout the state:

- Wildlife Management program – manages game species including big game, furbearers, waterfowl, and upland game birds. Biologists, with the assistance of seasonal wildlife technicians, inventory Oregon's big game species, develop and implement species management plans, respond to damage complaints, conduct hunter and harvest surveys, and assist in developing hunting regulations.
- Wildlife Conservation program – The Conservation Program coordinates and implements wildlife and habitat conservation actions in cooperation with partners, consistent with the goals of the federally-approved Oregon Conservation Strategy, and in alignment with the Oregon Plan for Salmon and Watersheds. The Strategy includes a habitat-based approach to conservation to maximize results. The Program focuses on the state's 294 native species in need of conservation, the 11 habitats that are becoming increasingly rare, and seven greatest conservation threats, including land use changes; invasive

species; disruption or loss of functional habitats; barriers to fish and wildlife movement; water quality and quantity; institutional barriers to voluntary conservation; and climate change.

The Habitat Division, established in the 2021-23 biennium, leads statewide efforts to protect, restore, and enhance habitat for Oregon's fish and wildlife populations. The Division is broken into Land and Water Programs, Regional Habitat Programs, and grant programs to encourage land management practices ensuring healthy habitats. The Oregon Conservation Strategy, and ODFW's various species conservation, recovery, and management plans prioritize habitat protection and restoration actions to sustain and/or recover populations. The Habitat Division's role is to implement the habitat protection and restoration actions identified in these plans. The division also serves as a science hub for information about specific species' habitat needs and incorporates climate and ocean change data into modeling and recommendations.

ODFW provides funding through a contract with the Department of State Police (OSP), Fish and Wildlife Division, for enforcement services ensuring compliance with laws designed to protect and enhance the long-term health and use of the state's fish and wildlife resources. This includes recreational and commercial fishing laws and regulations, as well as hunting laws. These enforcement positions are included in the OSP budget. Officers in the Fish and Wildlife Division are sworn police officers and can enforce traffic, criminal, boating, livestock, and environmental laws as well as respond to emergency situations.

Agency Administration provides general support functions to all programs of the Department. The Division includes the Fish and Wildlife Commission, Director's Office, Commercial Fishery Permit Board, Administrative Services Division, Human Resources Division, Information and Education Division, and the Information Systems Division.

Revenue Sources and Relationships

The Department's 2023-25 legislatively adopted budget is supported by revenue from the General Fund (11%), Lottery Funds (1%), Other Funds (54%) and Federal Funds (34%).

General Fund: Historically, the percentage of General Fund revenue supporting the Department's budget has been relatively consistent; comprising between 8% and 9% from the 2015-17 biennium until the 2021-23 biennium. General Fund appropriations more than doubled for the 2021-23 legislatively approved budget, largely driven by one-time investments. As the net result of phase-outs, reductions, and additional investments, the 2023-25 legislatively adopted budget is comprised of 11% General Fund.

Other Funds: ODFW relies most heavily on Other Funds revenue from the sale of hunting, angling and occupational licenses and tags. A portion of hunter and angler revenues are allocated to dedicated funds through surcharges on licenses in accordance with Oregon statute. Surcharge revenues are used, in part, to fund the Fish Restoration and Enhancement Program, the Wildlife Access and Habitat Program, the Oregon Hatchery Research Center, the Fish Screening Program and the Fish Passage Program. There are a number of additional Other Funds revenue sources including indirect administrative charges, agreements with nonfederal agencies or entities; commercial fishing industry fees; conservation stamps; transfers from the Oregon Watershed Enhancement Board; Columbia River Basin Endorsement fees; a portion of hydropower licensing and operating fees; interest on fund balances; donations; fines and forfeitures from game law violators; and a few other assorted categories.

Federal Funds: The Fish Division's Federal Funds revenues are received from the U.S. Department of Energy through the Bonneville Power Administration, the U.S. Department of Commerce through the Mitchell Act, the U.S. Army Corps of Engineers, the National Marine Fisheries Service, and the U.S. Department of Interior through Wildlife and Sport Fish Restoration funds (WSFR). ODFW receives, on average, $25 million annually from the federal WSFR fund. In order to maintain eligibility for WSFR funding, state agencies must follow requirements outlined in the Code of Federal Regulations, which restricts the usage of funds derived from the sale of hunting and angling licenses. The regulations require revenue earned from hunting and angling licenses to only be used for the benefit of the state's fish and wildlife programs and administration.

The Marine Resources program is primarily supported by Federal Funds from the U.S. Departments of Commerce and Interior for marine resource management. The Wildlife Management program receives Federal Funds through contracts with federal agencies and from the U.S. Department of Interior in the form of Pittman-Robertson Act funds (PR funds). The Habitat program's Federal Funds are derived from contracts with federal agencies, the Bonneville Power Administration's Wildlife Mitigation Program, and PR funds. The Wildlife Conservation program receives Federal Funds from the U.S. Department of Interior for threatened and endangered species activities through the State Wildlife Grant program and the Wildlife Conservation and Recovery program.

Oregon's apportionment of these national fish and wildlife restoration funds also depends in part on the number of Oregon licensed hunters and anglers. Thus, factors that affect the number of active recreational hunters and anglers can also impact, to some extent, the amount of federal revenue ODFW receives from these funds.

Budget Environment

The agency is facing a number of major issues including declining fish populations, listings and potential listings of native species as threatened or endangered, operation and maintenance of aging fish hatcheries, the perception of fewer hunting opportunities, a reduction in Measure 76 Lottery Funds for agency operations, emerging wildlife diseases, and livestock predation.

The Private Forest Accord (PFA) was adopted by the Oregon Legislature in 2022 to implement a negotiated agreement between the timber industry and conservation groups concerning private forestland practices and the protection of natural resources. Three bills passed to support implementation of the mediated agreement, including SB 1501, SB 1502, and HB 4055. Included in the Oregon Forest Practices Act (SB 1501) was the establishment of a 12-member Private Forest Accord Mitigation Advisory Committee and a Private Forest Accord Grant Program to fund projects designed to mitigate the impacts of forest practices on aquatic species and habitats covered by the Habitat Conservation Plan. The mitigation fund was created as a subaccount of the Oregon Conservation and Recreation Fund. An allocation of $10 million General Fund was deposited in the PFA Mitigation Subaccount, and the Legislature established an annual deposit of $2.5 million in timber harvest tax revenue. This annual deposit is slated to increase to $5 million after the Oregon Department of Forestry receives an Incidental Take Permit from federal partners for the potential take of covered fish and wildlife species. With the establishment of this fund, ODFW was given authority to establish 15 new positions, along with administrative funds to support the program. The initial deposit of $10 million General Fund was intended as a one-time deposit, with further funding discussion anticipated during the development of the Department's 2023-25 budget.

The Oregon Constitution, Article 15, section 4b(2) dictates the percentage of lottery proceeds that shall be distributed as grants for fish and wildlife, watershed, and habitat protection, and that which may be used for agency operations. This distribution between grants and operations is required to adjust from 65%/35% to 70%/30% when the proceeds deposited in the Parks and Natural Resources Fund exceed the amount deposited in the fund during the 2009-11 biennium by 50%. This constitutional threshold was met in the 2021-23 biennium and is projected for the 2023-25 biennium as well. This effectively means at least a 5% reduction in available funding for agencies using Measure 76 Lottery Funds for operational purposes, like ODFW.

Federal funding for many of ODFW's fish programs has been decreasing or staying flat during the past few biennia, and this trend is expected to continue. No alternative funding sources are available to maintain the current service level of these programs. As a result, service will be reduced or discontinued if federal funding is not maintained, restored, or replaced with another revenue source. Federal funding supports ODFW's ability to monitor some populations, conduct research, protect or restore habitats, and produce hatchery fish. In turn, this effects the Department's ability to conserve wild fish populations and provide opportunity to commercial and recreational anglers. The majority of ODFW's Revenue Shortfall package, included in the Department's 2023-25 legislatively adopted budget, was in the Fish Division and removed $1.6 million Federal Funds expenditure limitation and 13 positions. In ODFW's 2023-25 approved budget, 38% of staffing expenditures are supported by Federal Funds. Over 72% of the agency's Federal Funds are used to support positions are in the Fish Division. If federal revenues continue to decrease or stay flat while inflation for staffing drives expenditure increases, additional reductions will be necessary to balance programs.

The Department faces varied challenges related to hatchery management, including infrastructure, engineering and maintenance issues, as well as climate impacts to water availability and temperature. In 2022 the Department contracted for completion of an assessment of vulnerabilities and potential solutions at six state-owned hatcheries. SB 5506 (2023) included $1 million General Fund to continue and expand on this effort during the 2023-25 biennium. In an associated budget note, the Department was directed to procure a third-party assessment of the operations, sustainability, and climate vulnerability of state-owned fish hatcheries, including considerations of financial sustainability; facilities maintenance; economic benefits of producing hatchery fish; ecological impacts of hatchery programs; and climate vulnerability for a sample set of state-owned hatcheries. In the Department's 2023-25 budget request document, ODFW discussed many agency initiatives to prepare for the impacts of climate change and ocean acidification, including initiation of a climate vulnerability assessment of Oregon's fish hatcheries. This report may serve as a data-informed resource for ODFW's hatchery management, as the Department navigates through issues of climate change, aging infrastructure, and other challenges.

Legislatively Adopted Budget

The Department's 2023-25 legislatively adopted budget totals nearly $556 million; including $65 million General Fund, $7 million Measure 76 Lottery Funds, $270 million Other Funds, $214 million Federal Funds, and 1,365 positions (1,178.63 FTE). The Department's total funds budget represents an increase of 14% over the 2021-23 biennial budget.

General Fund: The Department's 2023-25 General Fund budget is $10 million, or 13%, lower than the 2021-23 approved budget. This is predominantly due to the phase-out of one-time expenditures. General Fund investments in ODFW's 2023-25 legislatively adopted budget included:

SB 5509 - the Department's primary budget bill:

- $10 million for deposit into the Private Forest Accord Mitigation subaccount.

SB 5509 - statewide Drought Package investments within the agency's budget bill:

- $236,862 to shift one permanent, full-time position (1.00 FTE) from Other Funds to General Fund. In 2021, the available revenue was no longer sufficient to support the position which is necessary for processing applications for fish passage, waivers, and exemptions from barrier owners.
- $463,724 for two permanent, full-time positions (2.00 FTE) to implement portions of the Integrated Water Resources Strategy.
- $1 million and two permanent positions (2.00 FTE) to develop and implement an agency strategy for monitoring, analyzing, and reporting water temperatures.
- $1 million for deposit into the Oregon Conservation and Recreation Fund specifically for drought related projects and one position (1.00 FTE) to serve as the OCRF Coordinator.

SB 5506 - the 2023 Omnibus bill:

- $1 million of one-time funds to procure a third-party assessment of state-owned fish hatcheries.
- $100,000 of one-time funds to cover Department of Justice (DOJ) costs for contested water rights cases.
- $238,271 of one-time funds for debt service payments associated with bonds authorized to finance $2.5 million of capital renewal and improvement projects on non-hatchery related facilities.

Additionally, SB 5509 included over $2 million in General Fund adjustments and vacant position reductions, inclusive of a shift of nearly $1 million General Fund to DOJ to permanently transfer the funding for poaching prosecution and eliminate the need for pass-through funding from ODFW to DOJ.

Lottery Fund: The Department's allocation of Measure 76 Lottery Funds remained flat from the 2021-23 approved budget to the 2023-25 adopted budget, decreasing by $68,233 or 1%, due to final statewide adjustments.

Other Fund: The Department's Other Funds expenditure limitation is $29 million, or 12%, higher than the 2021-23 approved budget. This is largely driven by General Fund deposits and bond proceeds requiring Other Fund expenditure limitation. Increases to Other Funds expenditure limitation included the following:

SB 5509 - the Department's primary budget bill:

- $12 million for expending funds deposited into the Private Forest Accord Mitigation subaccount.
- $1 million to establish and/or partially fund nine programmatic positions (7.04 FTE) including a Good Neighbor Authority Coordinator; a Klamath Salmon Restoration Coordinator; a Mule Deer Coordinator; a Coquille Valley Wildlife Area Biologist; three seasonal Rogue-South Coast Steelhead monitoring positions; a Fish Passage Restoration Coordinator to implement the 10-year Culvert Repair Agreement with ODOT; and a Boardman-Hemingway Project Coordinator.
- $1 million for expending funds deposited into the Oregon Conservation and Recreation Fund and establishment of a permanent OCRF Coordinator position (1.00 FTE). This investment was funded through the statewide Drought Package.
- $265,217 for establishment of one permanent Human Resources Analyst (1.00 FTE) to support the new Habitat Division.
- $546,101 for establishment of one permanent Public Affairs Specialist (1.00 FTE) and one limited duration Business Analyst (1.00 FTE) to coordinate the development and contracting of a new website of ODFW.
- $667,261 to establish three permanent full-time Procurement and Contract Specialist positions (3.00 FTE) to focus on federal contracts and public improvement contracts in the 2023-25 biennium.
- $208,084 for establishment of one permanent, full-time Information Systems Specialist 4 position (1.00 FTE) to implement recommendations outlined in the Enterprise Information Services Vulnerability Management Assessment.

SB 5506 - the 2023 Omnibus bill:

- $9 million to expend Lottery Bond proceeds deposited into the Fish Passage Fund for fish passage projects.
- $5 million to expend Lottery Bond proceeds deposited into the Oregon Conservation and Recreation Fund for wildlife passage projects.
- $221,834 for the cost of issuance related to bond sales.
- $580,240 for adjustments to State Government Service Charges and Department of Administrative Services charges for services.

HB 5006 - the Capital Construction bill:

- $2.5 million to expend Article XI-Q bond proceeds for capital improvements to replace buildings and address deferred maintenance at various ODFW facilities.

Federal Funds: Federal Funds expenditure limitation increased by approximately $50 million, or 30%, above the 2021-23 biennial budget, largely due to a $41 million increase in grant funding made available through the IIJA and $10 million in Federal Funds expenditure limitation necessary for the Minam River Wildlife Area acquisition.

Finally, the 2023-25 legislatively adopted budget included a budget note associated with SB 5506 directing the Department to report on the detailed and thorough third-party assessment of state-owned fish hatcheries, as specified. The Department shall present a status update to the Joint Committee on Ways and Means during the 2024 legislative session, followed by a presentation of the completed report during the 2025 legislative session.

DEPARTMENT OF FORESTRY

Analyst: McDonald

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	166,273,229	296,613,854	161,851,833	167,803,282
Lottery Funds	2,543,445	2,564,210	2,557,080	2,557,080
Other Funds	351,944,712	425,415,784	335,376,852	361,175,877
Federal Funds	22,890,433	61,303,485	43,838,515	45,278,229
Total Funds	**543,651,819**	**785,897,333**	**543,624,280**	**576,814,468**
Positions	1,184	1,399	1,371	1393
FTE	859.99	1030.03	1,039.21	1,056.02

Overview

The Oregon Department of Forestry (ODF) was established in 1911. ODF is directed by the State Forester who is appointed by the State Board of Forestry. The Board's seven members are nominated by the Governor and confirmed by the Senate. During the 2021-23 biennium, ODF initiated a reorganization of programs due, in part, to the implementation of portions of the Private Forest Accord (SB 1501, 2022), and the implementation of comprehensive strategies to promote wildfire risk reduction, response and recovery activities through SB 762. The prior organizational structure consisted of four operating programs: Fire Protection, Federal Forest Restoration, State Forests, and Private Forests supplemented and supported by centralized business services divisions of Agency Administration, Equipment Pool, and Facilities Management.

The change consolidated the Federal Forest Restoration program and the Private Forests division, housing the combined and expanded programs as the Forest Resources Division. This division is the primary administrator of the Oregon Forest Practices Act providing education, inspection, and enforcement of the lawful management of Oregon forestlands along with collaborative activities including monitoring and improving forest health, urban forestry, and the operation of the tree-seed orchard. The subsumed Federal Forest Restoration program works to increase the pace, scale, and quality of restoration on Oregon's federal forestlands. The program partners with federal field staff to identify and develop project-level agreements to implement Good Neighbor Authority projects. With the passage of SB 762 (2021) establishing a small woodlands grant program, and the passage of SB 1501 (2022) providing additional staff and funding to support financial and technical assistance programs for small woodland owners, the Small Forestland Owners Assistance Office was also created as a program withing the Forest Resources Division to manage this workload. At 221 authorized positions, the Forest Resources Division surpassed the State Forests Division in the current biennium, making it the second largest program at the agency.

The Fire Protection Division protects roughly 16 million acres of private and public forestland with a coordinated system of 12 fire districts comprised of 9 ODF operated districts and three private forest protection associations along with other associated federal, state, and local agencies. The Fire Protection Division is the largest program at the agency with 792 authorized positions. A significant percentage of these position are part-time or seasonal however, accounting for just 468.96 FTE.

State Forests operations include forest development and the management of Board of Forestry and Common School Trust lands. State Forests manage roughly 762,723 acres of state forestland for a variety of public purposes including timber sales that provide revenue for the counties in which a sale takes place, the Common School Fund, and to fund the operation of the program. Statute defines these purposes as managed to secure greatest permanent value of those lands to the state. The Department of Forestry makes the definition of greatest permanent value via administrative rule declaring it to mean "healthy, productive, and sustainable forest ecosystems that over time and across the landscape provide a full range of social, economic, and environmental benefits to the people of Oregon." The division operates with 213 authorized positions funded through an enterprise revenue model that shares forest harvest receipts between the division and the counties where the timber is harvested.

The Forest Resources, Fire Protection, and State Forests divisions make up the three primary operating programs of the agency. Supplementing the existing centralized supporting Agency Administration division, the newly minted Planning Branch was established to primarily provide staff support to the State Forester and the Board of Forestry on complex strategic and resource planning issues, and relationship needs. This new 16-position division pools existing staff from operating and administrative divisions to meet its needs. Additional centralized business functions include the Equipment Pool, Facilities Maintenance and Management, Capital Budgeting, and Debt Service.

Budget Environment

Fire protection continues to dominate the budget environment for the Department. The sustained pace and magnitude of wildfires has put a financial strain on the agency and exposed operational and organizational issues that require immediate attention and ongoing solutions. Other significant issues include forest health, climate change, environmental protection, forest management policies, and the general economic climate.

The Fire Protection Division is comprised of twelve forest fire protection districts, with a "headquarters" function operating out of the Salem campus. All fire protection districts were at one time operated as independent organizations by the private landowners in the districts. Adequate protection against the start or spread of fire on or from those lands was provided by the landowners as required by statute through the independent fire protection associations. As the cost of providing fire protection through the associations became unsustainable for the landowners within certain districts, associations contracted with the state forester to operate the fire protection function within the districts on behalf of the associations. These associations are called "non-operating" associations. Nine of the twelve fire protection districts are run by ODF on behalf of non-operating associations via contract. The associations continue to exist, and they have boards and board members that continue to make operational and financial decisions on behalf of the associations. Some of the non-operating districts own and maintain their own motor pools, real property, and buildings. The three remaining fire protection districts are independently operated by "operating" fire protection associations. These are completely independent organizations and are not part of the Department, nor are they state agencies or special districts.

The Coos, Douglas, and Walker Range operating fire protection associations cover a substantial portion of south-western Oregon, a perennial high-risk wildfire area. These operating fire protection associations employee people directly and therefore are not subject to state personnel rules or hiring practices. Employees of the operating associations are not union represented. The operating associations have separate management, accounting, purchasing, and financial management systems. Although the operating associations are required to have annual financial statements certified by a Certified Public Accountant, there is no explicit contractual obligation to allow ODF, the Secretary of State, or any third party to audit their financial transactions or operations. Equipment owned by the operating associations is not required to conform to any standardized requirements as to manufacture or interoperability with the Department. Operating associations have access to and make use of state information technology resources, but do not have oversite by the state on information technology use or security policies.

So, what the casual observer sees as a unified organization, is functionally more like a holding company with nine semi-independent operations and three independent operations working in contractual partnership. This is reinforced again by the fact that the boundaries of the fire protection districts are not the same as the forest districts that are used for the State Forests and Private Forests Divisions. There appears also to be issues with making or implementing managerial decisions with the locus of control divided among the various entities.

Each of the fire protection districts or associations have boards elected by represented landowners in the district that develop a district budget on an annual basis that is entirely outside of the state's biennial budget development and implementation process for which the Agency Administration program is responsible. Although the individual annual budget proposals must be approved by the State Forester, the proposed budget may not comport with the strategic aims or the tactical plans of the agency as a whole. The annual budgets, once approved, must be “shoe-horned” into the biennial budget, with over-runs being reflected as budgetary shortfalls at the district level that must be picked up by the following year’s budget. This also may include requests for additional General Fund appropriations to accommodate the shortfall.

One of the most impactful decisions made regarding the ODF budget was the recommendation by the Emergency Fire Cost Committee to not renew the catastrophic fire insurance policy that had been carried since 1973 (excepting ’76 and ’85 where no coverage was purchased). The estimated premium, including taxes and fees, for the 2023 fire season was just over $4 million. The estimated premium would have provided up to $25 million in cost reimbursement for net emergency fire costs over $78.5 million. Net fire costs reached a peak of $75 million in the 2013 fire season and have averaged $39.2 million between 2013 and 2022. It is unlikely that a coverage package will be made available in future years.

Forest health management will continue to be a significant issue in the upcoming biennium. Forest insect outbreaks can cause significant tree mortality and damage leading to economic losses and increased fire danger. The significant insect risk in Oregon is from bark beetle outbreaks. Diseases, including Sudden Oak Death and Swiss Needle Cast, are expected to continue to spread in Oregon, although containment efforts and improved disease-resistant plantings are being implemented. Sudden Oak Death is an invasive, non-native pathogen that spreads its spores by air, but can also be spread by transporting infected plant material to uninfected areas. Swiss Needle Cast, a foliage disease of Douglas-fir, is affecting a significant portion of state forestlands in the Tillamook State Forest.

Endangered or threatened species continue to factor into the operations of ODF, including in the management plan for state forests, the administration of the Forest Practices Act, and the support of rangeland protection associations. Federally listed species have affected the management of state forests over the last decade. Listings for fish and bird species influence the ability to manage the resource to achieve revenue goals on state forest lands, particularly impacting the revenue on lands owned by the Department of State Lands for the benefit of the Common School Fund. Concern over the possible listing of the Greater Sage Grouse as an endangered species has prompted statewide investment in programs to improve sage grouse habitat. This issue is of ongoing concern and includes the establishment of a multi-agency approach to preserve the habitat and prevent the future listing of the birds. A complaint was filed in June 2018 and alleges that timber harvest, road construction, use, and maintenance on Board of Forestry owned state forestlands are causing take of threatened Coho salmon on the Clatsop and Tillamook State Forests in violation of the federal Endangered Species Act

Water quality issues are anticipated to be an ongoing issue during the biennium. A January 2015 finding by the National Oceanic and Atmospheric Administration and the U.S. Environmental Protection Agency regarding the multiple state-agency plan for the non-point source water quality program resulted in the withholding of certain federal funding under the Coastal Zone Management Act. The reduced grant funding for the Department of Land Conservation and Development and the Oregon Department of Environmental Quality in the federal fiscal years beginning October 1, 2017, was due, in part, to concerns about the efficacy of the riparian rules developed by the Oregon Board of Forestry. This issue has not been resolved to date and the federal grants continue to be reduced.

A major step towards addressing some of the forest health, endangered species, and water quality issues was taken by environmental and timber interests with the creation of the Private Forest Accord and it’s implementing legislation, SB 1501 (2022). The measure required significant updates to the Forest Practices Act (FPA). The FPA was first enacted by the legislature in 1971 and established standards for commercial activities involving establishment, management or harvesting of trees in Oregon’s forestland, including the building and maintaining of roads, forest product harvesting activities, application of pesticides, and required reforestation. In addition to updating the FPA, the measure established several mitigation and management programs across ODF, the Department of Fish and Wildlife, and the Department of Environmental Quality.

Although the Private Forest Accord was heralded by many, there remains a persistent concern brought forward by small woodland owners that the changes to the Forest Practices Act unfairly limit their ability to continue profitable operations. There are also requirements that were contained in the accord that provide timelines for the development of the habitat conservation plan and obtaining an incidental take permit under the Endangered Species Act. If those timelines are not met, or if the adherence to forest practices rules relating to the habitat conservation plan create a substantive cost to forestland owners, many of the Private Forest Accord changes could be reversed or abandoned.

Legislatively Adopted Budget

The 2023-25 total funds adpopted budget for the Department of Forestry is $573,3 million and supports 1,393 positions (1,056.02 FTE). This amount is $208.5 million less than the 2021-23 legislatively approved budget, however, the 2021-23 legislatively approved budget included $191.1 million in emergency fire costs from the 2021 and 2022 fire seasons. After removing the extraordinary items, including one-time funding provided in 2021-23, the net budget change between the 2021-23 biennium and the 2023-25 biennium is an increase of roughly $30 million, or 5.5%. The majority of that increase is attributable to the roll-up costs of SB 1501, investments in Adaptive Management Program Committee projects, and Small Forestland Owner Investment in Stream Habitat grant program capitalization.

Current Service Level - The current service level budget for the agency increased by $21.4 million (4.1%), all funds, from the legislatively adopted budget for the 2021-23 biennium. This increase is primarily expressed as an increase in Other Funds expenditure limitation of $24.5 million, offset by a reduction in General Fund of $5.5 million. The General Fund reduction is a bit misleading since $17.2 million in one-time General Fund expenditures were included in the legislatively adopted budget. Excluding these one-time expenditures, ongoing General Fund expenditures actually increased by nearly $10 million.

The 2021-23 biennium provided unprecedented investment in the activities of the Department of Forestry. Senate Bill 762 (2021) included $54 million General Fund ($67 million all funds) and added 108 positions (98 permanent) for the implementation of a statewide comprehensive strategy to promote wildfire risk reduction, response, and recovery. An additional $14 million General Fund ($16.7 million all funds) and 58 positions (50 permanent) was included in Senate Bill 1501 (2022) for the implementation of changes to the Forest Practices Act developed under the Private Forest Accord. These two changes alone increased staffing nearly 13% from the 2019-21 biennium. The majority of the increased funding and staff capacity carries on to the current service level, however certain one-time expenditure authorizations have been phased-out.

One-time funding in SB 762 of $15 million General Fund for private landowner rate subsidies was phased out of the current service level budget. Those subsidies were included to provide a smooth transition to the increased cost structure for private landowners due to the expansion of fire protection services contained in the bill. There was also $5 million General Fund provided in SB 762 to fund grants to small woodland owners for wildfire risk reduction projects. This funding was not removed at the Current Service Level.

A mixture of $4.16 million General Fund and $2.6 million Other Funds was provided in SB 762 for one-time enhancements to wildfire capacity that included equipment purchases, fire detection cameras, and tower buildings in the 2021-23 biennium. The expenditure authorization for those items was removed from the budget at the current service level.

The current service level phases-out $10.5 million, all funds, for the cost of activities supporting the initial implementation of the Private Forest Accord that were contained in SB 1501. These included contracted assistance in development of a statewide Habitat Conservation Plan, landslide and hydrology modeling, LIDAR mapping, vehicle purchases, compliance monitoring framework development, and required technology updates.

The Legislature approved the issuance of general obligation bonds to fund capital improvement projects for ODF totaling just over $4.8 million. Due to personnel constraints related to the pandemic, the agency had not been able to move forward on these projects and has requested that the bonds be reauthorized in the upcoming biennium. Expenditure limitation related to the bonds, including cost of issuance, was provided for in the 2021-23 biennium but was not phased-out of the agency's budget at the current service level.

Policy Bills - Senate Bill 80 revised existing statute regarding the statewide wildfire hazard map, changing the name and number of zone classifications, specifying a new community engagement process, and directing use of the map by state agencies. A Prescribed Fire Liability Pilot Program was established by the bill, to be administered by the Oregon Department of Forestry. A General Fund appropriation to the Oregon Department of Forestry was included in the measure for costs associated with updating of the wildfire hazard map and for administration of the Prescribed Fire Liability Pilot Program totaling $592,037. This amount includes $242,037 General Fund for one permanent full-time Natural Resource Specialist 3 position (1.00 FTE) to administer the Prescribed Fire Liability Pilot Program and to investigate and compile incident reports for review with the potential of claim approval in the Forest Resources division. An additional $350,000 General Fund was added on a one-time basis to contract facilitation services for rulemaking and engagement, and for property owner notification. Although the Prescribed Fire Liability Pilot Program is to be administered by the Department of Forestry, a fund to support liability claims was established by the bill at the Department of Consumer and Business Services (DCBS) and a $5 million General Fund appropriation was made to DCBS for deposit in the fund.

The Landscape Resiliency Fund was also established by Senate Bill 80 to allow the Oregon Department of Forestry to deposit unexpended General Fund appropriations for landscape resiliency projects so that the funding can be distributed to awarded projects that complete after the end of the biennium in which the General Fund was originally appropriated for implementation of ORS 477.503. ORS 477.503 which directs the Department to design and implement a program to reduce wildfire risk through the restoration of landscape resiliency and reduction of hazardous fuel.

House Bill 3409 was the legislative vehicle for the 2023 climate package. The legislation outlined policy changes impacting several agencies, including the Department of Forestry. The measure established the Community Green Infrastructure Grant Program, to be administered by the Department of Land Conservation and Development (DLCD) for the purpose of awarding grants to offset the cost of planning and developing community green infrastructure projects or green infrastructure economic development projects, developing and supporting native seed banks or native plant nurseries, and for implementing green infrastructure master plans. The Department of Forestry is directed to assist with the design and implementation of the program, acquiring and administering federal funding related to green infrastructure projects, or technical advice or feedback on the grant review process. In addition, the measure requires ODF to acquire and maintain a statewide urban tree canopy assessment tool that provides geospatial mapping and make it available on a website maintained by the Department. Lastly, the measure requires ODF to develop and implement a program to provide technical and financial assistance to public bodies, tribal governments, watershed councils, and community-based organizations for planning, responding to, and recovering damage to habitats and urban tree canopies due to pests, diseases, or other natural or human-created conditions that lead to loss of tree canopy.

The measure appropriated $516,248 General Fund for two permanent positions (1.75 FTE) and associated costs for the development and implementation of the technical and financial assistance program in the 2023-25 biennium. The 2023-25 costs include $362,008 for personal services and $64,240 for services and supplies, as well as $90,000 in special payments for the purchase of two vehicles. These positions are intended to increase capacity for community assistance activities and to provide program coordination, work with tribal governments, provide outreach and technical assistance to the federally recognized tribes in Oregon, and help define and identify the specific locations for increased green infrastructure.

Agency Administration and Centralized Business Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	25,957,566	68,511,992	16,698,959	18,070,660
Lottery Funds	2,543,445	2,564,210	2557080	2,557,080
Other Funds	55,955,543	90,932,601	92,646,198	96,014,800
Federal Funds	3,705,498	2,599,535	693,716	693,714
Total Funds	**88,162,052**	**164,608,338**	**112,595,953**	**117,336,254**
Positions	154	177	165	167
FTE	142.48	173.94	165.46	167.26

Program Overview

The Agency Administration programs supports the operating divisions of the agency. These programs provide agency-wide services including leadership, planning, policy development, finance and accounting, payroll and human services, asset management, and debt service. The table above illustrates the combined budget for the following budgetary units:

- Agency Administration – 119 positions (118.5 FTE). Includes the State Forester's office, Board of Forestry support, and traditional support functions such as finance, property management, personnel, information services, and public relations. Agency Administration is also responsible for policy development, forest resource analysis and planning, administration of the log brand inspection program, and land use planning coordination.
- Equipment Pool – 32 positions (33.49 FTE). Operates a motor pool and a radio pool. The motor pool manages 5 fleets, 16 mechanic shops, and an aviation unit with one aircraft. The radio pool supports and maintains 3,500 pieces of major communication equipment such as repeaters, base stations, and mobile and portable radios. The radio pool provides the equipment, engineering, maintenance, and support for the Department's cooperators: 3 fire protection associations, the Department of Fish and Wildlife (ODFW), and the Oregon Parks and Recreation Department (OPRD).
- Planning Branch – 16 positions (15.27 FTE). This newly established program was created to primarily provide staff support to the State Forester and the Board of Forestry on complex strategic and resource planning issues, and relationship needs.
- Facilities Maintenance and Management – Provides oversight and coordinates preventive maintenance, repairs, improvement, planning and construction, and management for the agency's structures and facilities throughout the state. The program unit is charged with developing a statewide facilities rental pool program to charge other program and field operations the cost of constructing, operating, maintaining, repairing, replacing, equipping, improving, acquiring, and disposing of structures.
- Capital Budgeting – Includes Capital Improvement projects and Major Capital Construction projects. The Department owns and maintains 412 structures statewide. Examples include mountaintop lookout facilities, fuel facilities, remote forest fire guard stations, district and unit offices, seed processing facilities, and automotive maintenance shops. Many buildings need improvement or major construction because of age, type of construction, changing building codes, and growth of the agency. The Department's Long-Range Facilities Management Plan coupled with site master plans provides details on major construction needs over the coming ten-year period. Site master plans and feasibility studies are contracted for by the Department to determine major construction needs to meet workload projections at each site. The Department works with the Capital Projects Advisory Board for review of the agency's major construction, space, and maintenance needs.
- Debt service – Includes payments of principal and interest on certificates of participation (COPs) issued for the construction of the Salem Headquarters Office Complex and a portion of capital construction relocation projects in John Day and Sisters. General Obligation bond payments of principal and interest

are included for a portion of the capital construction relocation projects in John Day and Sisters, the Toledo facility replacement, the Gilchrist Forest land acquisition, and the Elliott State Forest.

Revenue Sources and Relationships

The centralized services programs are primarily funded by revenue transfers from, or fees charged to, the operating divisions. This revenue appears as Other Funds in the centralized services programs, but the underlying funding source depends on the funding structure of the operating program. Where an operating division is funded with General Fund, the transfer of the General Fund portion of the central service program cost is budgeted as an expenditure in the operating division and counted again when expended as Other Funds in the centralized services program. The primary exception to this process is in the Debt Service program where General Fund or Lottery Funds are appropriated directly.

General Fund other than debt service in the program for the current biennium is limited to staffing support for certain position in the Planning Branch program and activities required under SB 80 (2023).

Agency Administration regularly performs a “widget study” for the purpose of allocating the costs of the program. The widget study is the method that the agency uses to determine the distribution of costs due to administrative services functions among operating divisions of the agency. The study results in a percentage of costs assigned to each operating program, the sum of which is 100% and accounts for nearly all of the Other Funds revenue for the administrative division.

Expenditures for the Equipment Pool program are completely financed from fees charged to equipment pool users. As noted above, these are from multiple fund sources, depending on the funding structure of the users. The program also receives Other Funds from the ODFW and OPRD for participation in the radio pool.

Revenue to pay debt service comes from the General Fund (81%), Lottery Funds (12%), and Other Funds (7%). The associated Other Funds revenue is based on a square footage assessment to the Equipment Pool from the Radio and Motor Pool Funds; the State Forests program from the Forest Development and Common School Lands Funds; and the Private Forests program from the Forest Products Harvest Tax. Generally, costs are prorated among the funding sources of the programs that occupy the specific facility.

Federal Funds revenue in the Agency Administration program is nearly exclusively due to the administration of federal grants.

Budget Environment

Agency Administration performs roles in interagency communications with federal government agencies, the Governor’s Office, and other state agencies involved in natural resource activities. The program has experienced increasing information needs to address public involvement in areas such as the development of forest management plans in the State Forests Program, including the Northwest Oregon Forest Management Plan. Due to a strong interest in the social, economic, and environmental aspects of forest management generally, public interest and involvement in all Department programs and activities is high and will likely increase.

Motor pool operations are affected by changes in fuel prices. The radio pool is affected by changing telecommunications technology (narrowband and digital), Homeland Security, and the Statewide Interoperability Executive Committee, which is requiring new strategies to provide the most efficient and effective exchange of information.

Many of the Department’s structures were built in the 1930s, 40s, and 50s. The Department’s current building inventory includes 432 buildings or other facilities. The Department uses a long-range facilities management plan to coordinate major maintenance, improvements, and construction projects on a statewide basis projected over a ten-year period. Site master plans prepared by private consultants are utilized for developing major construction proposals. These site master plans are coordinated with the long-range management plan in developing the agency capital budget.

Legislatively Adopted Budget
The Agency Administration and Centralized Business Services' 2023-25 total funds budget is $117.3 million and includes 167 positions (167.26 FTE). The net change from the 2021-23 legislatively approved budget is a $47.3 million, or 71.3%, decrease almost entirely attributable to the phase out of $50 million General Fund that was allocated to the agency by the Emergency Board in the 2021-23 biennium to support cash flow needs. The General Fund budget for the program totals $18.1 million, which is a $50.4 million, or 73.6%, decrease from the 2021-23 legislatively approved budget. Of the General Fund total, $16.9 million is for debt service obligations.

An appropriation of $350,000 General Fund was provided in SB 80 on a one-time basis for the Planning Branch program to contract facilitation services for rulemaking and engagement, and for property owner notification related to the Prescribed Fire Liability Pilot Program.

HB 3409 requires ODF to develop and implement a program to provide technical and financial assistance to public bodies, tribal governments, watershed councils, and community-based organizations for planning, responding to, and recovering damage to habitats and urban tree canopies due to pests, diseases, or other natural or human-created conditions that lead to loss of tree canopy. The measure included a $90,000 General Fund appropriation that will be used by the equipment pool program to purchase two new vehicles associated with the establishment of two positions in the Forest Resources Division.

Other Funds expenditure limitation increases totaling $5.1 million for the capital improvement program were approved for the expenditure of general obligation bond proceeds for capital improvement projects and bond cost of issuance related to bonds approved for issuance in the 2023-25 biennium. An adjustment to remove expenditure authorization for capital improvement bond proceeds that was carried forward in the agency's budget at the current service level reduced Other Funds expenditure limitation by $4.8 million. The associated bonds were authorized, but not issued in the prior biennium.

A General Fund appropriation for debt service of $1,497,550 and debt service Other Funds expenditure limitation was increased by $1,137,893 for the payment of anticipated debt service on bonds approved to be issued in the upcoming biennium for capital improvement projects noted above, the second construction phase of the Toledo facility of the Department of Forestry, and purchase of new multi-mission aircraft and hanger replacement. Although the debt service for these items is recognized in this program the bond-funded expenditures for the Toledo facility and the multi-mission aircraft are recognized in the fire protection program.

Forest Resources

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	20,124,637	78,860,783	70,890,217	77,129,189
Other Funds	8,741,265	19,952,394	17,869,444	25,185,740
Federal Funds	9,390,147	37,896,478	22,478,014	24,006,575
Total Funds	**38,256,049**	**136,709,655**	**111,237,675**	**126,321,504**
Positions	119	233	204	221
FTE	111.74	186.81	194.05	210.57

Program Overview
During the 2021-23 biennium, ODF initiated a reorganization of programs due, in part, to the implementation of portions of the Private Forest Accord (SB 1501, 2022), and the implementation of comprehensive strategies to promote wildfire risk reduction, response and recovery activities through SB 762. The change consolidated the

Federal Forest Restoration program and the Private Forests division, housing the combined and expanded programs as the Forest Resources Division.

The division is the primary administrator of the Oregon Forest Practices Act providing education, inspection, and enforcement of the lawful management of Oregon forestlands along with collaborative activities including monitoring and improving forest health, urban forestry, and the operation of the tree-seed orchard.

The subsumed Federal Forest Restoration program works to increase the pace, scale, and quality of restoration on Oregon's federal forestlands. The program partners with federal field staff to identify and develop project-level agreements to implement Good Neighbor Authority projects. With the passage of SB 762 (2021) establishing small woodlands grant program, and the passage of SB 1501 (2022) providing additional staff and funding to support financial and technical assistance programs for small woodland owners, the Small Forestland Owners Assistance Office was also created as a program withing the Forest Resources Division to manage this workload.

The program includes support of Oregon's forest collaboratives, National Environmental Policy Act (NEPA) planning for federal land restoration projects, field staff support for thinning and harvest project preparation and layout on federal lands. Additionally, the program affects certain projects funded by federal grants for fire mitigation, fuel reduction, and landscape scale restoration on both private and public lands.

Oregon contains about 30 million acres of forestlands, second only to Alaska. Of these, 10.7 million, or about 35%, are privately owned. These private forestlands produce about 77% of the harvested timber in the state. The Forest Resources program helps ensure the health, appropriate management, resiliency, and productivity of those forestlands. On non-federal forestland in Oregon the program's primary responsibilities include:

- Enforcement of the Oregon Forest Practices Act.
- Monitoring and improving forest health through monitoring insect and disease conditions, applying integrated pest management strategies, controlling/eradicating invasive species, and assisting landowners in conducting stand management prescriptions through technical and financial assistance.
- Family forestland assistance to family forestland owners, providing for forest sustainability including timber availability and the maintenance and enhancement of ecosystem services such as clean water, fish and wildlife habitat, carbon sequestration, and aesthetics through education, financial assistance, and technical services.
- Urban Forestry, providing technical information on tree risk assessment, care, planting, and selection; ordinances; inventories; and urban forest management.

The J.E. Schroeder Tree Seed Orchard operated in the Forest Resources program, is located near St. Paul, Oregon and operates as a cooperative whereby partners in over twenty different orchards reimburse the Seed Orchard at the end of each fiscal year for all of its yearly operational and personnel costs. Then, each year, the cooperators equitably divide the resulting tree seed produced by their respective shares in the different orchards. The cooperators mostly consist of private sector entities but include the State Forests program, which is one of the largest cooperators. BLM is also a cooperator in one of the orchards.

<u>Revenue Sources and Relationships</u>
The Forest Practices sub-program, charged with the implementation and enforcement of the Oregon Forest Practices Act, has been historically funded by a combination of 60% General Fund and 40% Other Funds from the Forest Products Harvest Tax (FPHT) as that portion of the FPHT that is allocated to the administration of the Forest Practices Act is statutorily limited to funding no more than 40% of the Act. The FPHT is not a single rate but is an amalgamation of multiple rates delineated in statute under ORS 321.015 and ORS 321.017. The portion of the FPHT that funds the Forest Practices Act is applicable for only a two calendar-year period that has historically been advanced by two years each long legislative session.

The following table shows the historical revenue dedicated to the administration of the Forest Practices Act from the Forest Products Harvest Tax.

Biennium	Volume (Billions of Board Feet)	Forest Practices Act Revenue
1997-99	7.6834	$5,099,180
1999-2001	7.6009	$6,984,726
2001-03	7.1652	$6,944,788
2003-05	8.4321	$7,035,171
2005-07	8.4290	$5,454,507
2007-09	6.8414	$6,142,754
2009-11	5.7955	$6,618,666
2011-13	7.3923	$7,002,281
2013-15	8.2933	$9,143,915
2015-17	7.3369	$7,737,610
2017-19	7.6718	$10,688,725
2019-21	6.7599	$9,856,759
2021-23	7.1562	$13,092,048
2023-25 (projected)	6.6068	$15,555,320

General Fund is also used as a one-to-one match for federal funding, providing support for the Forest Health staff and Field Foresters, the annual insect and disease surveys, the delivery of forest pest data and maps, and technical assistance to forest landowners and policy decision makers. General Fund also provides for the Oregon Plan for Salmon and Watersheds activity.

Federal Funds provide funding for family forest landowner financial and technical assistance, technical assistance for tree improvement, Forest Legacy program administration, and insect and disease monitoring and mitigation. Federal Funds are also used exclusively for the Urban Forestry sub-program. Federal Funds revenue from cooperative agreements with the US Forest Service are also used either directly or via contracted payments (expended as Other Funds) under the Good Neighbor Authority for federal forest restoration work, including anticipated sales of federal timber.

Budget Environment

The Forest Resource program is constantly responding to the changing demands of the forest products industry, environmental concerns, forest health and pest management issues, and social factors including the conversion of forestlands for non-forestry use. The workload of the Division is anticipated to continue at the current service level with notifications of operations (intent to conduct a forest operation), plus reviewing and commenting on written plans describing operating methods on sensitive sites continuing. The number of on-site inspections for pre-operation planning and reforestation auditing is also expected to be maintained at the prior biennium level.

A significant portion of Oregon's private forestlands, 4.7 million acres, are considered family forestlands. These lands are often under pressure to be converted to non-forest uses as property values exceed the value of timber production on these lands. The owners of these lands also require a disproportional amount of assistance in complying with the Forest Protection Act than larger industrial forest owners due to a lack of experience, institutional knowledge, and access to financial resources.

Forest health management will continue to be a dominant issue in the upcoming biennium. Forest insect outbreaks can cause significant tree mortality and damage leading to economic losses and increased fire danger. The significant insect risk in Oregon is from bark beetle outbreaks. Diseases, including Sudden Oak Death and Swiss Needle Cast are expected to continue to spread in Oregon although containment efforts and improved disease resistant plantings are being implemented.

Legislatively Adopted Budget
The Forest Resources Division 2023-25 adopted total funds budget is $126,321,504 and includes 221 positions (210.57 FTE). This amount represents a 7.6% decrease from the 2021-23 legislatively approved budget. The General Fund budget for the program totals $77,129,189, a 2.2% decrease from the 2021-23 budget.

Adjustments to the current service level continues funding for landscape resiliency projects to reduce wildfire risk for the 2023-25 biennium at $10 million General Fund with the assumption that the date for completion of those projects will be extended to the end of the upcoming biennium. Funding for the Small Forestland Grant Program to support small forestland owners in reducing wildfire risk is continued at $2.5 million General Fund.

A one-time General fund appropriation of $6 million was established to support work related to the Private Forest Accord that was authorized and funded in the prior biennium but was not able to be completed. The amounts and projects are: $1.25 million for contract work on the habitat conservation plan; $1.55 million for technology updates including the Forest Activity Electronic Reporting and Notification System, GIS, and other work; $950,000 for hydrology modeling; $750,000 for LIDAR analysis; $750,000 for vehicle purchases; $450,000 for landslide modeling; and $300,000 for compliance modeling. This action reestablishes the expenditure authority in the 2023-25 biennium for these unspent funds from the 2021-23 biennium. It is the intent of the Legislature that total expenditures for these items over both biennia do not exceed the original appropriation made in the prior biennium.

Three investments were made to support the remaining programs established by the Private Forest Accord. There is also an adjustment to the current service level for Forest Practices Act administration costs.

A one-time $6.67 million General Fund appropriation was provided for the Small Forestland owner Investment in Stream Habitat Program (SFISH) established under SB 1501 (2022), to provide grants to small forestland owners to fund projects that result in environmental benefits to fish or mitigate risks to natural resources arising from the construction, operation or maintenance of forest roads or related activities.

A one-time $4 million General Fund appropriation was provided for activities of the Adaptive Management Program Committee (AMPC) and the Independent Research and Science Team (IRST) established under SB 1501 (2022). The IRST serves as an advisory committee to the Board of Forestry and conducts or oversees research requested by the AMPC.

On going support for prior budgetary decisions related to the Private Forest Accord are included in a $1.3 million General Fund appropriation. This adjustment to the current service level is for program and position associated service and supplies costs that were not accounted for in the fiscal impact of SB 1501 (2022).

Although not specific to the Private Forest Accord, an adjustment to program related service and supplies costs for administration of the Forest Practices Act of $350,000 was also included to add back funding that was erroneously removed from the current service level. Funding for this adjustment is split along the statutorily defined funding allocation of 60%, or $210,000, General Fund and 40%, or $140,000, Other Funds from the Harvest Products Tax.

An adjustment to align expenditures with anticipated revenues reduced General Fund by $548,382, increased expenditure limitation by $6,507,094 Other Funds and $1,561,200 Federal Funds, and authorized the establishment of 18 positions (17.09 FTE) to support the expansion of the Federal Forest Restoration program. The Infrastructure Investment and Jobs Act (IIJA) significantly expanded investments in restoration work under Good Neighbor Authority (GNA). The increase in available funding will allow ODF to further expand its Federal Forest Restoration workforce. ODF accomplishes federal forest restoration work through administration of federally funded restoration programs and as a contractor for federal agencies such as the U.S. Forest Service and Bureau of Land Management from which the agency receives a portion of timber sale proceeds. The reduction in

General Fund appropriation for the program is a result of shifting initial program costs from General Fund to federal revenue sources.

Budgetary adjustments were made agency-wide for position reclassifications, position reorganizations, and position funding allocations. In the Forest Resources division, General Fund appropriation is reduced by $1,353,201, Other Funds expenditure limitation is increased by $672,694, Federal Funds expenditure limitation is decreased by $31,303, and four positions were eliminated (3.22 FTE). A one-time $1.7 million General Fund appropriation was also included for the Sudden Oak Death containment and eradication program.

Fire Protection

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	120,186,026	149,241,079	74,262,657	72,603,433
Other Funds	195,890,795	200,289,206	104,139,819	119,272,815
Federal Funds	8,995,101	18,743,941	19,679,379	19,590,534
Total Funds	**325,071,922**	**368,274,226**	**198,081,855**	**211,466,782**
Positions	697	776	789	792
FTE	397.72	459.23	470.48	468.96

Program Overview
Forest wildfire protection in Oregon is provided through a coordinated effort among local, state, and federal resources. The Department's Fire Protection program protects 13.17 million acres of public and private forestland, about half of the state's total forest acreage, and 3.17 million acres of grazing land for a total of 16.34 million acres protected. Of the total acreage protected, 12.53 million is privately owned, 1.42 million is state and local government land, and 2.39 million is federal, mostly BLM western Oregon lands protected under contract. The program provides centralized "headquarters" and field administration, fire suppression crews, facilities maintenance, fire cache, communications, and weather and mapping services. Program services are delivered through 12 forest protection districts, including three locally managed Forest Protective Associations. Nearly 57% of all agency positions and 45% of all FTE are assigned to this program.

Until 1965, landowners paid the entire cost of fire protection. Then, the Legislature established a cost-share model by limiting landowner costs depending on the use and geographic location of the property. The state was responsible for costs above the limitations. In 1973, the Legislature established the "pro-rata" share per acre concept whereby landowners are assessed for base-level fire protection based on the number of acres they own within a specific fire protection district. In 1989, the law was modified to provide for a 50/50 landowner/General Fund split of the cost for base-level fire protection on privately owned lands. For a few years in the mid-1990s, the General Fund share dropped to 45%. Since 1999, the ratio has been 50/50; however, private landowners do not pay for the portion of the agency administrative costs allocated to the Fire Protection program. These administrative costs are paid by the General Fund and assessments on public forestlands. The subsidization of the agency administration costs results in an average cost share on private land of 55% General Fund and 45% private landowner assessments. With private lands representing roughly 77% of the total acres of lands protected, private landowner assessments represent about 34.5% of the program's budget.

Revenue Sources and Relationships
The state provides protection from forest fires in three layers: base protection, severity resources, and large fire protection. Base protection funding ensures readiness and initial attack response at the local district level. That cost has been shared by private landowners and the state since 1991. ODF also draws on a special appropriation of General Fund combined with public and private landowner dollars through the Oregon Forest Land Protection Fund (OFLPF) to provide retardant-dropping air tankers, water-dropping helicopters, and other resources that can be placed where the immediate or projected threat is highest. Firefighting costs for large fires are covered

through a mix of General Fund, Federal Funds, public and private landowner funds, and a catastrophic wildfire insurance policy.

Base Protection – ODF's base protection program is delivered through local Forest Protection Districts. Revenue to support the Fire Protection Division (including the fire protection districts) comes from a combination of General Fund, Federal Funds, and Other Funds via forest patrol assessments on private and public forest landowners. Statute outlines a pro-rata cost per acre formula segregated between timberland east and west of the crest of the Cascades and grazing lands. Forest patrol assessments charged against subject landowners vary by district, as each district budget is developed independently. Non-public landowner's contributions are capped at 50% of the per-acre rate established for the fire protection district in which the lands lie; the shortfall is funded with the General Fund. The remaining public landowners, including local, state, and federal entities, receive no General Fund match and pay the full cost of their per-acre fire protection assessment. In addition, the costs of the Agency Administration Division that are allocated to the Fire Protection Division are not shared between the General Fund and the private landowner assessment; those costs are borne entirely by the General Fund and public landowner assessments. The General Fund also provides a biennial subsidy of $2 million to offset a portion of the cost of private landowner assessments for fire protection on low-productivity lands.

Severity Resources – These resources, primarily aviation, are meant to span both the base protection and large fire protection layers. Each season, ODF contracts with a number of local and national resources to provide air and ground support with the aim of preventing small fires from growing into large, costly fires. These provide fast-attack resources during periods of multiple fire starts and heightened fire danger. When severity resources are utilized on large fires, those expenses are allocated to large fire costs and are not charged against the severity resources budget. Therefore, ODF contracts for severity resources typically exceed the amount of funding provided, but this ensures the availability of the resource during heavy fire seasons. The revenue that supports these expenditures comes from both the General Fund and Other Funds from the OFLPF. Additional revenue information is provided in the following section for the OFLPF. In the event of a qualified fire, FEMA also provides funding for the pre-positioning of severity resources.

Statute defines the maximum expenditure cap for severity resource activities from the OFLPF as $3 million or 3/5ths of the total annual expenditures for these activities, whichever is less. The OFLPF maximum share of severity resource funding in the amount of $6 million is included in the agency's budget. Statute does not define the General Fund maximum contribution to severity resources. In past biennia, the Legislature has set-aside $4 million ($2 million per fire season) for severity resources in a special purpose appropriation to the Emergency Board. In the 2021-23 biennium, the Legislature increased the special purpose appropriation amount to $14 million and continued that funding level in the 2023-25 biennium.

Large Fire Protection – Large fire, or catastrophic fire protection pays for emergency suppression costs. There is no state budget for large fires because these fires are unpredictable. Funding for emergency fire costs is provided by the General Fund, catastrophic fire insurance, and by the public and private landowner funded OFLPF. The fund is administered by ODF's Emergency Fire Cost Committee, a four-member committee composed of private landowners, or their representatives, appointed by the Board of Forestry. The OFLPF essentially serves as a reserve fund to provide for emergency fire cost funding in conjunction with the General Fund. Revenues to support the OFLPF are roughly $11 million annually. The taxes and assessments that generate revenue to the fund are assessed on all lands, public and private, that are in ODF protected districts and all commercial timber harvests. These include:

- Harvest tax of $0.625/thousand board feet on merchantable forest products; the tax is reduced when the reserve base amount of the OFLPF is projected to exceed $22.5 million and is suspended when the reserve base exceeds $30 million.
- Acreage assessment on all protected forest land ($0.05 per acre for protected western Oregon forestlands, $0.075 per acre for eastern Oregon protected forestland, and $0.075 per acre for grazing lands).

- Assessment of $3.75 per lot (out of the $18.75 minimum assessed for forest patrol).
- Surcharge of $47.50 for each improved tax lot.
- Interest Earnings.

The OFLPF expenditures are capped at $13.5 million annually as defined in ORS 477.755. Authorized expenditures of the OFLPF include:

- Equalization of emergency fire suppression costs in fire districts.
- Administrative expenses.
- Up to 50% of emergency fire insurance premium costs.
- The purchase of non-routine supplemental fire prevention, detection, or suppression resources.
- Up to $3 million for severity resources.
- Up to $10 million for fire suppression costs.

The first $20 million in large fire suppression costs in a fire year are shared between the General Fund and the OFLPF equally. Any amount in excess of the initial $20 million, up to the deductible/retention amount of the catastrophic fire insurance policy (if available) is the state's responsibility. Costs in excess of the deductible and the insurance proceeds also fall to the state, but statute does not specifically state that the costs are General Fund liabilities.

Federal Fund Programs – The budget includes $19.6 million in federal funds revenues to support fire protection activities. This amount is maintained to cover the estimated available federal funding received by ODF from various federal agencies, primarily the USFS through the Consolidated Payment Grant. The actual funding received varies each biennium as many of the programs include competitive grants and various short-duration grant opportunities. Some of the Federal Funds are one-time funding opportunities and others become annual programmatic grants.

Smoke Management/Fuels Program – This program receives its funding from registration and burning fees collected from public and private landowners, contractual payments from other government agencies, and landowner assessments.

Budget Environment

Fire suppression efforts and costs are driven by factors that include forest fuel loads, forest health (insect and disease damage), weather (drought and lightning storms), and human behavior and cannot be predicted with certainty.

The siting of dwellings and other improvements on forestlands continues to increase the challenges to fire managers. The increasing number of homes located in forests complicates protection priorities, results in higher costs and greater damages, and requires additional coordination by fire protection agencies. Numerous structures located on forestland have not been included within the boundaries of rural fire districts and are unprotected.

With diminished harvests on federal lands, private sector resources such as logging crews and equipment that could be used for contract firefighting have declined. Federal fire management policies vary significantly between different federal forest lands. Some of these policies are considered to be counterproductive to fire protection activities, including allowing the build-up of fuels and the closure, or non-maintenance, of access roads.

The increase in the occurrence and severity of wildfires across the nation continues to put stress on the availability of firefighting resources such as aviation equipment and trained fire crews. ODF consistently over-contracts for aviation resources to ensure the availability of these resources in a severe fire season. In the 2017 fire season, the shortage of trained fire crews required many states to utilize National Guard troops to assist in firefighting. The cost of these National Guard crews is substantially more expensive than contract crews due to the additional training and equipment necessary.

Due to the extraordinary losses by insurers during the 2013 and 2014 fire seasons ($50 million), it was questionable whether the state would be able to renew a catastrophic insurance policy for the 2015 fire season and, if so, at what terms. A 2015 fire season policy was secured by ODF with $25 million in loss coverage and a deductible (retention) of $50 million at an annual premium cost of roughly $3.75 million. Although the 2015 fire season was significant with respect to total costs, a large portion of the costs were covered by FEMA and other agencies. The General Fund paid $9.6 million in excess of the first $20 million in net costs, those first $20 million in costs being shared between the OFLPF and the General Fund, but total costs did not exceed the retention threshold of the insurance policy and, therefore, no claim was made for the 2015 fire season. The 2016 fire season insurance premium was slightly less ($3.53 million) than the 2015 premium, but the OFLPF had reached its statutory cap and was only able to provide $392,831 towards the total, with the General Fund paying $3.14 million (88.8%).

For the 2017 fire season the quoted premium declined slightly once again to $3.38 million with no claims made against the 2016 fire season policy. The EFCC recommended the purchase of the policy to the State Forester with the premium to be split between the General Fund and the OFLPF at $1.69 million each. The fire insurance premium for the 2018 fire season increased to $3.58 million. Although the 2017 fire season did not produce net costs in excess of the $50 million policy retention, costs once again exceed the $20 million shared cost obligation of the OFLPF and leaving the OFLPF with roughly only $400,000 available for insurance premium costs before hitting its statutory cap on expenditures for the year. General Fund of $1,764,690 was included in the agency's budget for the 2018 fire year insurance premium costs, leaving a shortfall of $1.42 million after applying the available funding from the General Fund and the OFLPF. That shortfall was not resolved pending the resolution of 2014 fire season costs which may have been overestimated, and overfunded by the General Fund, by up to $2.8 million. For the 2019 fire season, the premium rose once again to $3.73 million. Available funding from the OFLPF totaled $532,747. The remaining $3.2 million obligation was funded in HB 5019 (2019).

For the 2020 fire season, total premium costs of $4 million were funded $2 million from the OFLPF and $2 million from the General Fund. Both of these amounts were part of the agency's biennial budget for 2019-21, however only $1.79 million of the General Fund amount was specifically budgeted, the remaining portion was allocated from other budgeted expenditure categories. A $3.82 million General Fund appropriation was included in SB 5518 (2021) for the 2021 fire season insurance premium cost that totaled $4.13 million. The remaining $315,000 was paid from the OFLPF. For the 2022 fire season total premium costs of $4.07 million, a slight reduction in the premium from the prior year, but at an increased retention rate of $75 million. For the 2023 fire season, the Emergency Fire Cost Committee was presented an offer to continue at the same premium of $4.07 million, but the retention amount would be increased to $78.5 million. The EFCC recommended that the insurance coverage not be purchased, and the State Forester declined the coverage. This is the first time since 1986 that no insurance coverage was carried.

<u>Legislatively Adopted Budget</u>

The Fire Protection Division 2023-25 total funds budget is $211,466,782 million and includes 792 positions (468.96 FTE). After accounting for $191.1 million in non-budgeted emergency fire costs in the 2021-23 biennium, this amount represents a $34.3 million, or 19.4%, increase from the 2021-23 legislatively approved budget. A reduction of $1,869,713 General Fund was applied to the Fire Protection budget to downwardly adjust the ongoing budget to account for the decision not to continue the catastrophic fire insurance coverage through Lloyds of London.

This budget makes minor adjustments to reconcile position costs in the Fire Protection division in conjunction with the enhanced capacity and funding reallocations made in the Forest Resources division for the Federal Forest Restoration program. In the Fire Protection division, net position reconciliation adjustments result in a $2 General

Fund appropriation increase, a $4 Other Funds expenditure limitation increase, and an increase of four positions, however the overall authorized full-time equivalent position authority decreases sightly (0.04 FTE).

Budgetary adjustments were made agency-wide for position reclassifications, position reorganizations, and position funding allocations. In the Fire Protection division, General Fund is increased by $211,374, expenditure limitation is decreased by $362,948 Other Funds and $56,534 Federal Funds, and one position is eliminated (-1.48 FTE)

A $12 Million Other Funds expenditure limitation was established for the purchase of a new multi-mission capable aircraft from the net proceeds of General Obligation bonds anticipated to be issued in the upcoming biennium. The new aircraft is intended to replace the agency's current aircraft that has been in service for 36 years and has been increasingly in need of repairs and is subject to unexpected down time. The aircraft will perform missions that include fire start detection, air attack, large fire direct and logistical support, firefighter transportation, search and rescue, and disaster relief.

Six-year capital construction other funds limitation was included in the Fire Protection Division budget for the expenditure of net bond proceeds totaling $3.5 million. These funds support the continued work to replace the agency's Klamath Facility ($1.5 million) and for the construction of a new airport hanger in Salem ($2 million) to accommodate the new multi-mission capable aircraft.

State Forests

	2019-21 Actual	**2021-23 Legislatively Approved**	**2023-25 Current Service Level**	**2023-25 Legislatively Adopted**
General Fund	5,000	--	--	--
Other Funds	91,357,109	114,241,583	120,721,391	120,702,522
Federal Funds	799,687	2,063,531	987,406	987,406
Total Funds	**92,161,796**	**116,305,114**	**121,708,797**	**121,689,928**
Positions	214	213	213	213
FTE	208.05	210.05	209.22	209.23

Program Overview

The State Forests program manages 762,722 acres of forestlands including state forests owned by the Department and forestlands owned by the State Land Board for the benefit of the Common School Fund. ODF owns around 95.7% (729,718) of these acres, including five state forests (Tillamook, Clatsop, Santiam, Sun Pass, and Gilchrist) and small, scattered parcels. The state acquired these lands primarily in the 1940s from counties that had received the cut-over or burned lands from private owners in lieu of delinquent property taxes. The Board began purchasing the Gilchrist tract in 2009. Board of Forestry lands are managed to achieve the greatest permanent value to the state. This definition includes providing a full range of social, economic, and environmental benefits.

The remaining 4.3%, or 33,004 acres, are the Common School Lands, which are managed by ODF under contract with the State Land Board. The Common School Lands are managed to obtain the greatest benefit for the people of the state, consistent with the conservation of this resource under sound techniques of land management. This has been determined to mean that the State Land Board should manage the land to maximize long-term revenue to the Common School Fund, within the context of environmentally sound management.

The State Forests program co-operates the South Fork Forest Camp with the Oregon Department of Corrections. The camp is a satellite facility to the Columbia River Correctional Institution. The camp provides aid in the restoration and administration of state forests and provides work crews for emergency forest fires. The inmate population supports up to 15 ODF crews. It is notable however, that the prisoner work program was suspended indefinitely following the attack of two women by an inmate that escaped from a forest crew in the Spring of 2021.

Revenue Sources and Relationships
The State Forest program is funded primarily by Other Funds that are produced by the sale of forest products on Oregon Board of Forestry lands and secondarily by management fees for Common School Trust lands. Federal funds revenue included in the budget is generally in the form of grant funds, including funding for the purchase of certain lands in the Gilchrist State Forest.

Revenue from the sale of forest products produced and sold on Board of Forestry lands is divided according to a statutorily defined formula between the county in which the subject lands are situated and the State Forests program. Generally, this formula provides 36.25% of the revenue generated for the operation of the State Forests program, including the allocated costs of fire protection. The remaining 63.75% is distributed to the counties and local taxing districts where the forestland is located. The estimated total revenue in the 2023-25 biennium from forest product sales on Oregon Board of Forestry forestland is $259.2 million. Estimated revenue transfers to counties are $156 million.

Revenues from harvests on Common School Trust forestland managed by the State Forests Division are anticipated to be $8.3 million in the upcoming biennium. A management fee is charged to the State Land Board for the operation and management of the Common School Trust forestlands. The anticipated revenue to ODF from management fees charged to DSL is $4.8 million in the 2021-23 biennium. This provides $3.5 million in net income to the Common School Fund. The Oregon Parks and Recreation Department transfers roughly $2.3 million Other Funds to the State Forests program for trail and recreational opportunity enhancements from permit fees charged to users of All Terrain Vehicles.

Budget Environment
The program manages State Forests to meet the statutory and constitutional fiduciary responsibilities through timber harvests while protecting and making available other forest values – social, recreational, educational, and environmental benefits. Under the current state forest management plan, timber harvests are close to or at the maximum sustainable level. Increased income from state forests can only come through a change to the management plan or an increase in funds received through timber sales.

The varied uses of the state forests put pressure on the budgetary resources of the program. Since the state forests are managed for more than just the ability to produce revenue, including social and environmental benefits, the oft-competing uses put a strain on the ability of the program to manage and fund all of the uses effectively. Environmental preservation and recreational uses continue to grow and are often in direct conflict with the revenue model of the program.

Legislatively Adopted Budget
The State Forests program 2023-25 adopted total funds budget is $121,689,928 and includes 213 positions (209.23 FTE). This is a $5.4 million, or 4.6%, increase from the 2021-23 legislatively approved budget. The State Forests program budget is continued at the current service level with only minor adjustments. The legislatively adopted budget reflects minor ongoing adjustments to the agency's current service level and adjustments to Other Funds intra-agency transfers to support related pro-rata charges for enhancements authorized in the Agency Administration program.

The budget includes adjustments agency-wide for position reclassifications, position reorganizations, and position funding allocations. In the State Forests division, expenditure limitation is increased by $1,171 Other Funds and position authority is slightly increased (0.01 FTE).

DEPARTMENT OF GEOLOGY AND MINERAL INDUSTRIES

Analyst: Gibson

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	4,582,975	6,444,037	7,154,908	9,383,601
Other Funds	5,416,955	7,493,317	6,839,124	7,383,915
Federal Funds	3,867,190	5,765,844	5,510,086	5,522,133
Total Funds	**$13,867,120**	**$19,703,198**	**$19,504,118**	**$22,289,649**
Positions	41	35	34	41
FTE	38.09	34.67	33.92	40.50

Overview

The Department of Geology and Mineral Industries (DOGAMI) is the state's primary source of geoscientific information and regulation. DOGAMI has two program areas, the Geologic Survey and Services (GS&S) program and the Mined Land Regulation and Reclamation (MLRR) program. The Department is primarily comprised of geologists and other geotechnical experts who aim to increase understanding of Oregon's geologic resources and hazards through science and stewardship.

The GS&S program gathers geoscientific data and develops maps and reports to help Oregon manage mineral resources and prepare for natural hazards. The Department has prioritized geographic areas in need of tsunami hazard mapping, landslide hazard studies, flood hazard studies, and lidar data collection. These geologic maps and reports inform the development of policy affecting the use of our lands and waters, guide responsible mineral development, and mitigate the risk of loss due to geologic hazards. The information is shared with state and local policymakers for land use planning, facility siting, emergency planning, and building code and zoning changes. The program also develops various publications, and provides the agency's administrative functions, such as budget and accounting.

The MLRR program is responsible for permitting and regulating the exploration, extraction, production, and reclamation of mineral and energy resources statewide. MLRR not only regulates surface mining, but also oil and gas wells, and geothermal exploration and extraction. The program works to minimize the impacts of natural resource extraction, maximize the opportunities for land reclamation, and administer effective and balanced regulation to support the environment, economy, and people of Oregon.

Revenue Sources and Relationships

DOGAMI is funded by General Fund, Other Funds, and Federal Funds. On average, approximately 8% of the Department's federal revenue is sourced from grants with a state match requirement. Additionally, DOGAMI receives both Federal and Other Funds revenue from grants with no match requirement, cooperative agreements, and fees for services rendered on reimbursable projects. The GS&S program, in particular, is reliant on developing funding partnerships with local, state, and federal agencies because these partnerships generate the revenue necessary to support much of the program's technical deliverables, such as mapping and hazard studies. While the Department is a regular recipient of grants from the U.S. Geological Survey, Federal Emergency Management Agency, and National Oceanic and Atmospheric Administration, federal funding will always be a highly variable revenue source that makes up about 25% of the agency's budget, and about 36% of the GS&S program budget. When project or grant revenue does not materialize, the GS&S program must face reductions and rely on their General Fund to cover program costs.

Until recently, the MLRR program was solely supported by Other Funds revenue derived from fees charged to the regulated entities. The Department's legislatively approved budget for the 2023-25 biennium includes an investment of $2 million General Fund to support implementation of an electronic permitting system for the MLRR program. The operations and maintenance costs will be covered by a system surcharge, once implemented. The program currently administers around 1,400 mining permits, most of which are for aggregate mining. The fees related to mining operations, which support MLRR's regulatory function, were increased by the 2015 Legislative Assembly and then again in the 2nd Special Session of 2020. DOGAMI has recently engaged with stakeholders and announced their plans to request a fee increase for the MLRR program in January 2026 in order to maintain current staffing levels.

The MLRR program also receives reimbursement for Department expenditures related to coordination of the consolidated permitting process for the first chemical gold mine in Oregon, located in Malheur County. Under contract, the mining company (Calico Resources Corporation) provides for DOGAMI's multi-phase, multi-year application review process involving other affected agency cooperators, stakeholders and the public.

Budget Environment

Oregon is a state with a wide range of geologic hazards, varied geologic conditions, and diverse geologic resources. Population increases, along with a growing interest in mineral resources, renewable energy sources and climate change, have contributed to an increase in demand for geoscientific information, and an increase in Oregon's critical mineral resources. These growing demands have resulted in departmental challenges including grant dependency, permitting backlogs, a limited capacity for site inspections, and the need to modernize processes and systems.

Grant Dependency - The Department's GS&S program budget for the 2023-25 biennium relies heavily on funding partnerships. General Fund comprises 48% of the program's 2023-25 biennial budget; and the remaining 52% is divided between federal grants (36%) and cooperative agreements (16%). This means 52% of the GS&S program's budget is supported by fluctuating revenue sources with availability beyond the Department's control. General Fund has been used to pay for administrative positions and to provide matching funds for project grants, while the technical positions are budgeted for with Other Funds and Federal Funds. Revenues from the grants and agreements have limitations; they may only be used to support contracted work and allowable indirect costs. Moreover, projects are generally determined by the funding partners. The federal grant awards supporting DOGAMI positions are prescriptive, dictating the type of work DOGAMI staff may engage in based upon the priorities of the funding agencies.

Standard inflation has increased around 4% each biennium, while the Department's federal funding has consistently decreased since the 2015-17 biennium, at an average rate of over 5%, and a total decline of 21% since the 2015-17 biennium. Additionally, the majority of GS&S positions are funded with at least 30% Federal Funds and Other Funds, requiring the pursuit of grants and contracts in order to support continually increasing personnel costs, which have grown by an average of nearly 8% over the past five biennia.

Permitting Capacity - The MLRR program currently administers 1,366 permits and has 92 pending, or active applications for permits, 77 of which are for surface mining operations. The program has 16 budgeted positions with five technical staff directly associated with aggregate permitting. These five positions are responsible for permit processing, interagency coordination, compliance actions and site inspections. The team has capacity to review and process 25-30 applications per year, so they are facing a pending workload representing more than triple their capacity. Subsequently, the average processing time for applications has doubled from six months in 2020 to approximately 12 months in 2023. The program has been working to streamline and modernize its permitting process and reduce the backlog of permits. This effort results in reduced staff capacity for conducting mine sites inspections, because the same staff responsible for processing permits is also responsible for site inspections.

Site Inspections - The MLRR program is charged with performing routine site inspections to assure unpermitted and incorrectly permitted surface mining operations are brought into compliance with state regulations. Site inspections are a necessary tool to address compliance issues and level the playing field for all permit holders who maintain permits in compliance with state statutes. However, according to the Department, inspections related to applications and compliance issues are prioritized over routine visits to existing sites, and enforcement actions have been limited to only the most egregious transgressions. During the 2021-23 biennium, DOGAMI had no staff dedicated to performing site inspections. The same five technical staff responsible for processing permits and responding to complaints inspected about 5% of the 920 total sites each year, equal to 10%, or approximately 92, in the 2021-23 biennium. The Department's 2021-23 target for Key Performance Measure (KPM) #4 was inspection of 50% of permitted sites per year (100% of sites per biennium). If the Department were to meet this goal, they would need to conduct approximately 38 inspections per month at sites across the state. During the 2023 legislative session, DOGAMI received two additional limited duration positions for the MLRR program, one of which is a Mining Compliance Coordinator focused on bringing unpermitted and improperly permitted sites into compliance; this includes but is not limited to site inspections. Additionally, the Department's KPM #4 was adjusted to focus on active sites only, and targets were reduced to 20% in 2024 and 25% in 2025.

ePermitting - Currently, the MLRR program is almost entirely dependent on paper-based processes and records for their core functions. As a result, tasks take much longer than they otherwise could and are cumbersome to program staff, customers, and the public. During the 2023 legislative session, DOGAMI received approval to move forward with procuring an online permitting and customer interface (ePermitting) system during the 2023-25 biennium. The initial implementation of the system has been funded by the legislature, and the annual operations and maintenance of the system will be funded by a surcharge on system transactions. It is anticipated the ePermitting system will provide significant performance improvements; offering online permit applications, application tracking, permit renewals, a map to view existing permits, complaint intake, public records requests, and receipt of payments.

Legislatively Adopted Budget

DOGAMI's 2023-25 legislatively adopted budget includes $22.3 million in total funds and supports 41 positions (40.50 FTE). This represents a 18% increase over the total funds provided in the Department's 2021-23 legislatively approved budget. The General Fund portion of the 2023-25 legislatively adopted budget is 46% higher than the appropriation provided for the 2021-23 biennium. This is driven by a $2 million one-time General Fund investment in the ePermitting system. The 2023-25 Federal Funds expenditure limitation continues to decline, and fell 4% under the 2021-23 biennial budget, while Other Funds expenditure limitation increased by 9% over the 2021-23 budget. The MLRR program is anticipated to have a beginning balance of just over $1 million, which represents approximately seven months of operating expenses.

The 2023-25 legislatively adopted budget for the GS&S program includes two position-related adjustments. An existing permanent, full-time Natural Resource Specialist 3 was increased by 0.08 FTE; bringing the position to a full 1.00 FTE. Although the position is funded through a split of General Funds, Other Funds, and Federal Funds, the increase in FTE is solely supported by Other Funds and Federal Funds expenditure limitation and equates to an increase of $5,815 and $12,047, respectively. Additionally, a shift of $82,170 General Fund from the services and supplies budget to the budget for employee costs allows the program to self-fund an upward reclassification of the GS&S Program Manager. This reclassification is the result of a recommendation from the Department of Administrative Services (DAS), Chief Human Resources Office (CHRO), to align with The Oregon Management Project (TOMP) classification structure.

The 2023-25 legislatively adopted budget for the MLRR program includes investments and adjustments primarily focused on implementing the new ePermitting system and improving capacity for site inspections and permitting. These investments and adjustments include:

- **ePermitting** - $2 million General Fund was appropriated on a one-time basis to implement a modern, paperless online permitting system and customer interface. A limited duration Project Manager (1.00 FTE), and a limited duration Information Systems Specialist 3 (1.00 FTE) were established, and a permanent existing Information Systems Specialist 5 was shifted from Other Funds to General Funds to serve as dedicated resources for implementation of the project. DOGAMI intends to use the Department of Environmental Quality's (DEQ) recent modernization solution as a basis for their ePermitting system, as well as utilizing DEQ's project knowledge and staff expertise. For over two years, the departments have been working together collaboratively to develop the ePermitting proposal and implementation plan. While DOGAMI cannot directly use DEQ's system, they can use the underlying structure to develop a fit for purpose system, realizing a streamlined, efficient and more cost-effective solution. Moreover, the MLRR program operates under delegated authority from DEQ, and therefore the collaboration between agencies to improve the MLRR program through this modernization effort has a natural nexus. This investment was accompanied by two budget notes. The first directs the MLRR program to report to the Legislature during the 2024 session with a comprehensive overview of the implementation status, including but not limited to; staffing; costs; project risks and mitigation strategies; schedule; and Stage Gate status. The second budget note directs the Department to develop at least one additional KPM designed to demonstrate the efficiency and effectiveness of the new system as it relates to MLRR permit processing.

- **Consolidated Permitting Lead** - A full-time limited duration Natural Resource Specialist 4 position (1.00 FTE) was re-established for the 2023-25 biennium to continue serving as the permit coordinator for the ongoing Grassy Mountain chemical-process goldmine project. The position was increased from 0.75 FTE in the 2021-23 biennium to 1.00 FTE because the workload related to the consolidated permit application has increased beyond original estimates, and the agency anticipates additional applications will be submitted under the chemical mining rules. The position is funded through a cost-recovery agreement with the permit applicant.
- **Unpermitted Surface Mining Program** - Two full-time limited duration positions were established to provide the MLRR program with additional capacity for site inspections and permitting. A Natural Resource Specialist 3 (1.00 FTE) serves as a Compliance Coordinator, providing investigation of complaints, routine site inspections, tracking of enforcement actions, and other compliance activities. The Natural Resource Specialist 2 (1.00 FTE) serves as a Permit Reviewer, providing interagency coordination, permit application review and outreach to applicants. Both positions are supported by permitting fee revenue. The need for these limited duration positions should decrease over time as the number of unpermitted sites of concern are reduced.
- **Program Manager Reclassification** - As was the case in the GS&S program, the DAS CHRO also recommended upward reclassification of the MLRR Program Manager position to a Natural Resource Protection and Sustainability Manager 2, to align with the new TOMP classifications. This position is funded by fees and charges for service therefore, Other Funds expenditure limitation was increased by $30,439 to support the reclassification.

DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT

Analyst: Morse-Miller

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	17,238,174	26,215,018	17,781,999	35,491,485
Other Funds	1,535,571	1,793,345	1,755,120	8,250,237
Federal Funds	4,647,104	6,748,006	7,446,347	9,187,910
Total Funds	**$23,420,849**	**$34,756,369**	**$26,983,466**	**$52,929,632**
Positions	63	74	64	78
FTE	59.98	66.35	62.59	75.93

Overview

The Land Conservation and Development Commission (LCDC), assisted by the Department of Land Conservation and Development (DLCD), adopts state land-use goals and implements rules, assures local plan compliance with the goals, coordinates state and local planning, and oversees the coastal zone management program. The seven LCDC commissioners each represent a certain region of the state and are unpaid citizen volunteers appointed by the Governor and confirmed by the Senate. One member must be or have been an elected city official in Oregon and at least one member must be an elected county official at the time of appointment. Commissioners are appointed to four-year terms and may not serve for more than two full terms.

Oregon's land use planning system is based on a set of 19 statewide goals expressing the state's policies on land use and related topics such as preservation of farm and forest lands, citizen involvement, housing, and natural resources. DLCD ensures compliance of local land use plans with statewide goals as well as providing technical assistance to city and county planning units for urban and rural development. By law, each of Oregon's cities and counties are required to have comprehensive development plans and adopt the zoning and ordinances necessary to implement those plans. Approval of local plans is done through an "acknowledgement" process by LCDC. After a plan is officially acknowledged, local plans can be modified as necessary through plan amendments, or through the periodic review process. Periodic review of locally adopted plans and the provision of both direct technical assistance and planning grants to local jurisdictions are key elements of the system administered by the agency.

DLCD is divided into two budgetary programs, the Planning Program and the Grants Program. The Grants Program has no employees; it simply houses the funds used to provide grants to cities and counties for planning activities including economic development opportunity analysis, land inventories, and infrastructure and development planning. The Planning Program houses the operational programs and administrative functions of the agency, which includes:

- *Director's Office* – Provides overall supervision and direction to the management and staff of the agency, and support for the LCDC. In addition, the Director's Office develops policy and manages collaborative initiatives with other agencies and entities.
- *Administrative Services* – Provides internal agency support such as financial services, information systems, human resources, and facilities management.
- *Planning Services* – Provides technical assistance and policy consultation in transportation, natural hazards, natural resources, and Ballot Measure 49 claims. This section includes the Transportation and Growth Management (TGM) Program, a joint effort with the Oregon Department of Transportation to help communities manage urban growth, plan an efficient transportation network, and protect the function of state highway facilities through technical assistance and grants. The division also includes the

Natural Hazards Program, which helps flood-prone communities maintain eligibility for participation in the National Flood Insurance Program and keeps floodplain maps and data up to date.

- *Community Services* – Assists local governments in the implementation of the statewide land use program through technical assistance, administration of grants, periodic review of local plans and land use regulations, and plan amendment review.
- *Housing Services* – A new division as of 2023, this section focuses on the Oregon Housing Needs Analysis and other work related to housing production, which is discussed in more detail below.
- *Ocean and Coastal Services* – Manages the implementation of the federally-approved Oregon Coastal Management Program and the Oregon Ocean Resources Management Program. The agency provides technical assistance, administers coastal grants, supports the Ocean Policy Advisory Council, and assists with amendments to the Territorial Sea Plan. As a state with a federally approved coastal zone management program, DLCD has the authority to influence both federal activities, and non-federal activities requiring federal authorization or funding, within the coastal zone, ensuring these activities are consistent with statewide planning goals and local comprehensive plans.

The Department has regional representatives throughout the state, primarily in Regional Solutions Centers, to work directly with local governments and stakeholders in these areas. Currently there are representatives of DLCD in Bend, Medford, Eugene, Portland, Salem, La Grande, Tillamook, and Newport.

Revenue Sources and Relationships

DLCD is supported with General Fund, Other Funds, and Federal Funds. General Fund is the primary revenue source and supports land use program activities and grants to local governments. Federal Funds provide the next largest portion of revenue. DLCD receives direct federal funding from the National Oceanic and Atmospheric Administration (NOAA) for coastal zone management work and from FEMA for floodplain management and other hazard mitigation planning. Other Funds are primarily from interagency agreements for reimbursement of joint programs.

DLCD receives federal funding from NOAA for coastal zone management activities through the Coastal Zone Management Act (CZMA) of 1972 and subsequent reauthorizations. These funds are restricted to programs in Oregon's coastal zone and require matching funds which Oregon provides through in-kind services that are largely supplied by other state agencies such as the Department of State Lands, Department of Fish and Wildlife, and Oregon Parks and Recreation Department. CZMA funds support staff positions and, in the past, a small grant program to local governments. During the 2013-15 biennium, the Department received notice from NOAA and the Environmental Protection Agency (EPA) of their intent to disapprove Oregon's Coastal Nonpoint Pollution Control Program, under the Coastal Zone Act Reauthorization Amendments. NOAA and the EPA have determined that Oregon has not managed forests adequately to protect salmon habitats in streams, and run-off and landslide risks due to past logging activities that have not been addressed sufficiently. That disapproval trigged a 30% reduction in CZMA funding. Although Oregon has made progress in resolving the deficiencies through changes in programs, statute and regulations since the disapproval, the decrease is anticipated to continue into the 2023-25 biennium. A majority of the Federal Funds are used for agency staff and internal resources, and DLCD will likely need to backfill these lost Federal Funds with General Fund in subsequent biennia to continue staffing at current levels. DLCD is dependent on assistance from the Oregon Department of Forestry to help implement the changes in forest practices to improve coastal water quality.

DLCD also receives Federal Fund revenues from FEMA as the state coordinator for the National Flood Insurance Program, specifically targeted at floodplain management and map modernization activities. A 20% match is required for floodplain management activities. FEMA is under pressure from NOAA to change the Flood Plain Management Program to address Endangered Species Act requirements, which will have an impact on development decisions in Oregon communities, and on the ability of landowners to purchase flood insurance.

Other Funds make up the smallest portion of the DLCD budget. For the 2023-25 biennium, Other Funds revenues include funds from ODOT, derived from federal transportation funds, for the TGM program. Other Funds revenue is also received from the Oregon Department of Emergency Management, from pass-through funds from FEMA for hazards mitigation. DLCD receives a small amount of Other Funds from fees related to the Department's review of soil assessments, which are used to determine whether land qualifies as "agricultural land" under the statewide land use planning program.

Budget Environment

Housing - DLCD's work has shifted dramatically over the past five years to encompass an increasingly larger role to encourage housing development in Oregon:

- In the 2019-21 biennium, the passage of HB 2001 and HB 2003 resulted in a one-time addition of $6.5 million General Fund and seven new limited duration positions within the agency. These resources were added to assist local governments implement middle housing regulations and to evaluate housing need. Funding was reduced to $5.3 million due to statewide budget reductions made in 2020 during the COVID-19 pandemic.
- In the 2021-23 biennium, work related to HB 2001 and HB 2003 was continued with one-time additions of $3.9 million General Fund and six limited duration positions within the agency. The agency also received a one-time appropriation of $2 million General Fund for grants to local governments to assess housing need and support housing planning; and a one-time appropriation of $1.3 million General Fund and one limited duration position was provided for work related to a regional housing needs analysis (later renamed the Oregon Housing Needs Analysis, or OHNA). An additional $150,000 General Fund was appropriated for OHNA work during the 2022 Legislative Session.
- During the 2023-25 biennium, DLCD has been directed to continue work related to OHNA and housing production strategies, which are outlined in more detail in the Legislatively Adopted Budget section. Reflective of the increasing focus on housing within the agency, a new Housing Services Division was created at DLCD for the 2023-25 biennium.

Changing responsibilities - Beyond housing, DLCD has seen numerous expansions to their responsibilities in recent years. The agency has been asked to work on a variety of natural hazards topics, including wildfire and climate change vulnerability. On the coast, the agency has worked on emerging issues such as regulation of undersea cables and offshore wind energy planning. New grant programs and additional grant funding have also been added to DLCD's workload in recent biennia. Outside of agencies that regulate a specific profession, DLCD is one of the smallest agencies in the state. Continued expansion of their role is likely to require additional funding for administrative resources in coming biennia.

Grant Funds - The budget environment for DLCD continues to be dominated by the pace and complexity of local land use planning activities, which are impacted by population growth, demographic changes, natural environmental factors, economic development, and shifting economic drivers. Many local governments are constrained by their available resources for adequate planning to take advantage of these opportunities or to address these challenges.

DLCD provides grants to cities and counties for planning activities including economic development opportunity analysis, land inventories, infrastructure, and development planning. Due to General Fund constraints, over the past few biennia, the agency has moved away from providing grant funds directly to local planning units and towards a model of using grant funding to provide contracted planning resources with DLCD providing co-management of the contracted services. This is often done when local planning units do not have the resources to manage the contracted services directly, or when economies of scale are realized from a single contract providing assistance for multiple planning units. For the 2023-25 biennium, DLCD has $1.8 million available for technical assistance grant funding, not including additional funds appropriated by the Legislature this biennium for specific grant programs or housing.

The first priority for technical assistance grant funding is an award to Portland State University's Population Research Center to support population forecasting. HB 2253 (2013) requires the production of population forecasts for specified geographic areas throughout the state no less than once every four years. The population forecasting cost for the 2023-25 biennium is estimated to be over $800,000, with most of these costs paid from technical assistance grant funds. This biennium, for the first time, DLCD will also be able to pay some of these costs from other funds appropriated by the Legislature for housing. After that, DLCD must also provide grants to three counties for implementation of the Columbia River Gorge National Scenic Area Act, estimated at around $270,000 this biennium. Additional uses of grant funds include a small amount that goes to dispute resolution to avoid litigation related to land use and planning, and non-competitive Planning Assistance Grants of $2,000-$5,000 which are made to small cities and counties for general support of planning functions. The remainder of the funds, which total up to approximately $800,000 this biennium, are available as competitive Technical Assistance grants, which may be used for significant planning projects and activities. Due to the addition of housing-specific grant funds this biennium, more technical assistance grant funds will now be available for other purposes, with economic development, and not housing, as the highest priority use of funds. However, the demand for technical assistance grant funding has historically been three times the amount available.

<u>Legislatively Adopted Budget</u>

DLCD's 2023-25 total funds legislatively adopted budget is $52,929,632 and includes 78 positions (75.93 FTE). This amount represents a 41.7% increase from the 2021-23 legislatively approved budget. The legislatively adopted budget is comprised of 67.1% General Fund, 17.4% Federal Funds, and 15.6% Other Funds. However, these numbers include an Other Funds expenditure limitation "double count" with Other Funds expenditure limitation provided as an accounting mechanism so that the agency may expend $6.5 million General Fund as Other Funds; and this also includes $1.5 million in one-time Federal Funds that will be passed through the agency. If these numbers are removed, the overall budget increase totals 25.8%. The total 2021-23 Grants Program budget is $15,722,011, which is about 44.3% of the agency's total General Fund budget. The adopted budget included:

- $3 million General Fund for continuation of the Climate Friendly and Equitable Communities (CFEC) program. LCDC adopted rules in July 2022 to reduce transportation-related climate pollution and strengthen transportation and housing planning in regions with over 50,000 people (Albany, Bend, Corvallis, Eugene/Springfield, Grants Pass, Medford/Ashland, Portland Metro, and Salem/Keizer). The rules would change or prohibit certain city parking mandates; require certain local governments to designate climate friendly areas, or neighborhoods that mix business, industrial, and residential development, and to allow taller buildings that provide more housing; require cities to improve electric vehicle charging infrastructure and plan for better public transit, bike and pedestrian infrastructure; and require the areas of Salem-Keizer and Eugene-Springfield to develop regional plans to reduce climate pollution. Of the funding provided for CFEC this biennium, $2.7 million is provided on a one-time basis to provide financial assistance to local governments to adopt climate-friendly areas, work on parking reform and management, engage in equitable community engagement, and perform other work related to this program. The remainder will fund one permanent Planner 4 position with a CFEC focus.
- Added $1.8 million Federal Funds expenditure limitation and one federally funded position (1.00 FTE). Of this amount, $1.5 million will be sub awarded through DLCD to the Confederated Tribes of Siletz Indians to acquire undeveloped coastal land on Cape Foulweather in Lincoln County. The new position will work with coastal communities to develop projects and seek additional federal funding related to habitat protection and restoration.
- Several positions within the agency were reclassified at no additional cost, using savings from other position actions and reductions to certain services and supplies line items. This included reclassification of an existing IT position in order to establish a Chief Information Officer position.

Four additional pieces of substantive legislation also included General Fund appropriations for the agency:

- HB 2001 includes $6.2 million General Fund for DLCD work related to housing. The measure requires a statewide 20-year housing need projection for local governments, with production targets and cities over

10,000, and certain areas of Metro, by January 1, 2025. LCDC is to adopt and amend rules related to Statewide Planning Goal 10 (Housing) and Goal 14 (Urbanization), as well as ORS 197.286 to 197.314, which relate to needed housing within Urban Growth Boundaries (UGBs). DLCD is directed to adopt rules related to housing need and production by January 1, 2025. Rules related to housing accountability must be also adopted by DLCD by January 1, 2025. DLCD is to establish a system to assess local governments' progress in meeting housing targets, and to refer local governments to a "Housing Acceleration Program" and make recommendations for improvement if they fall behind. Rules related to housing capacity and urbanization must be adopted by January 1, 2026; these rules are intended to increase clarity and certainty in housing and urbanization planning processes and offer guidance for calculating housing capacity and identifying buildable lands. The funding provided under HB 2001 include $3.5 million General Fund for local governments to conduct Housing Production Strategies or Housing Implementation Plans, as well as urbanization work such as UGB land exchanges, urban reserve planning, and public facilities planning. The remaining $2.7 million General Fund is for seven new permanent positions and will allow DLCD to form a new Housing Services Division, provide technical assistance for local government housing and urbanization work, and provide data analysis, reporting, rulemaking, and Human Resources support.

- HB 3409 has two components impacting DLCD. The measure first appropriates $7.3 million General Fund and establishes four new limited-duration positions to establish the Community Green Infrastructure Grant Program. The program will award grants to offset the cost to plan and develop community green infrastructure projects or green infrastructure economic development projects; to develop and support native seed banks or native plant nurseries; and to implement green infrastructure master plans. The measure also appropriates $0.5 million General Fund and establishes one new position to support a Rules Advisory Committee to advise DLCD on adoption of rules related to photovoltaic solar power generation facility siting.
- HB 3395 included almost $1.3 million in technical assistance grant funding. Funds will support cities with populations between 2,500 and 10,000 to update their development codes in order to allow duplexes on any lot zoned for residential use that allows single family detached housing, by June 30, 2025.
- HB 2727 provides a $215,000 one-time General Fund appropriation for DLCD to convene a work group to examine expansion of childcare facilities.

LAND USE BOARD OF APPEALS

Analyst: Wilson

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	2,095,169	2,686,644	2,706,702	2,775,881
Other Funds	35,842	36,486	38,019	38,019
Total Funds	**$2,131,011**	**$2,723,130**	**$2,744,721**	**$2,813,900**
Positions	6	7	7	7
FTE	6.00	7.00	7.00	7.00

Overview

In 1979, the Oregon Legislature created the Land Use Board of Appeals (LUBA) as an agency with exclusive jurisdiction to review appeals of land use decisions made by cities, counties, districts, and state agencies. Prior to LUBA's creation, appeals of land use decisions were heard in 36 different county circuit courts, and sometimes before the Land Conservation and Development Commission. In creating LUBA, the Legislature intended to provide a simpler and faster process for resolving land use disputes as well as to promote a consistent interpretation of state and local land use laws. LUBA's decisions are reviewable by appeal to the Court of Appeals and ultimately to the state Supreme Court via discretionary review.

The three-member Board, appointed by the Governor to serve four-year terms, must be attorneys who are members of the Oregon State Bar in good standing. Board members are salaried employees who resolve appeals, issue orders, prepare for, and conduct oral arguments, provide peer review, contribute to the publication of LUBA's headnote digest, and participate in continuing legal education and land use seminars.

Private parties and public agencies, including agricultural interests, developers, environmental groups, individual property owners, and state and local governments can bring issues to LUBA for review. LUBA is required by statute to publish its orders and opinions and make them public for citizens, decision-makers, and participants in land use processes to use as guidance for future land use decision-making. Final opinions are posted online the morning after they are issued.

Revenue Sources and Relationships

General Fund supports over 98% of LUBA's core operations. The remaining 2% of Other Funds is derived from filing fees, publications sales, and other miscellaneous fees. The Other Funds revenue generated from the publication and sale of LUBA Reports which publishes its final opinions and makes them available to the public. LUBA is evaluating whether to discontinue publishing LUBA reports which would decrease the Other Funds revenue; however, they would still be available online.

Filing fees were increased in 2021 from $200 to $300 per notice of intent to appeal. This fee was last increased in 2009. Filing fees are paid by persons who file an appeal of a land use decision with LUBA and persons who move to intervene on the side of the appellant or on the side of the local government. The filing fees are transferred to the state's General Fund. LUBA estimates the agency will transfer $97,500 from these fees during the 2023-25 biennium. This estimate is based on a projected total of 260 appeals for the biennium and an appeal fee of $300, and a projected 195 intervenors for the biennium and an intervenor's fee of $100.

Budget Environment

The primary drivers of LUBA's workload are the number of land use appeals, staff capacity, and case complexity. The number of case filings in any given year is influenced by economic activity, population growth, and changes in land use policy. The Board has a 20-year average of 177 appeals a year, with a peak of 262 filings in 2007, immediately preceding the Great Recession. The number of filings has not returned to pre-Recession highs, although case numbers have recently increased, with the Board seeing a 25% rise in appeals filed since 2015. While the number of case filings is the primary determinant of LUBA's workload, staff capacity in conjunction with the complexity of individual cases remain important factors. In resolving land use disputes, LUBA must comply with a 77-day statutory deadline for the issuance of final orders (ORS 197.830(14)). Land use disputes centering on urban growth boundaries (UGBs) and rural resource use are particularly complex and time intensive. LUBA has jurisdiction over UGB amendments of less than 50 acres with two to four UGB amendment decisions made each year. These decisions are complicated and frequently are appealed to the Oregon Court of Appeals. In 2016, Oregon's Land Conservation and Development Commission adopted new rules for local governments to make simple UGB amendments. While LUBA has yet to hear a case resulting from this rule change, there could be more UGB case filings as local governments adopt to the revised rules. LUBA has also reviewed several complex marijuana related land use issues.

In a seven-month period between June 2018 and January 2019, two Board members who had served on LUBA for 28 and 20 years, respectively, retired resulting in a 66% turnover of the Board in approximately seven months. In addition, in 2019, LUBA experienced a full turnover of support staff. The retirements of two Board Members and the ensuing transition as new Board Members on-boarded has contributed to a delay in issuing final opinions. LUBA is experiencing delays in meeting its performance measure target to resolve appeals within one week of the 77-day deadline, in addition to delays in resolving record objections within 60 days of filing. LUBA is also experiencing a backlog of opinions to publish in the LUBA Reporter, which is also attributed to staff turnover.

Due to workload and personnel constraints, LUBA did not have the staffing capacity to pursue an electronic filing project planned for the 2021-23 biennium. LUBA received a one-time $50,000 General Fund appropriation from the Legislature to work with the State Office of the Chief Information Officer to develop a business case for this electronic filing project. Although the agency hopes to pursue this project in the future, LUBA has decided that it needs to build internal agency capacity before embarking on this project. The agency plans to continue to work with the State Office of the Chief Information Officer on initial planning for this project and may return during the 2025-27 budget cycle to request resources for the electronic filing project.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for LUBA is $2.8 million total funds of which over 98% is General Fund. This represents a $90,770 (or 3.3%) total funds increase. Two staff compensation issues were addressed in the budget. The first was an increase of $47,191 General Fund for the costs of the reclassification of the two existing staff attorney positions (not Board members). These positions were reclassed to better reflect position requirements and are more in line with other staff attorney positions in other agencies. The second change added $18,822 General Fund to fully fund one of the Board positions which had been mistakenly underfunded in the development of the budget by leaving it one salary range step below where it should properly be placed.

DEPARTMENT OF STATE LANDS

Analyst: Gibson

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	123,060,000	--	--
Other Funds	45,105,039	59,984,088	36,782,322	67,106,620
Other Funds (NL)	13,659,966	16,727,890	8,052,461	8,502,461
Federal Funds	1,745,507	3,473,851	2,282,521	5,925,269
Total Funds	**$60,510,512**	**$203,245,829**	**$47,117,304**	**$81,084,350**
Positions	115	105	102	113
FTE	112.63	103.38	100.50	110.78

Overview

The Department of State Lands (DSL) is the administrative arm of the State Land Board. The Board, created under the Oregon Constitution, consists of the Governor, the Secretary of State, and the State Treasurer. The Board is responsible for managing the assets of the Common School Fund. These assets include equity investments managed by the Oregon Investment Council and the State Treasurer on behalf of the Board and over two million acres of state lands deeded at statehood in trust for education, and other lands designated by statute. In managing these assets, the Board adheres to the constitutional standard of “obtaining the greatest benefit for the people of the state, consistent with the conservation of… [the]…resource under sound techniques of land management.” By statute, related programs, such as removal-fill and wetlands are assigned to DSL. The agency also manages the South Slough National Estuarine Research Reserve.

For budget purposes, the Department is organized around four areas:

- Common School Fund – 93 positions (91.28 FTE). Consists of Land Management, Aquatic Resource Management, Business Operations and Support Services, and the Director’s Office.
- Oregon Wetlands Revolving Fund – 0.50 FTE. Established in 1987 to provide financial resources to acquire wetlands banking and wetlands mitigation sites; to accomplish wetlands restoration, enhancement, and creation; and to cover administrative costs.
- South Slough National Estuarine Research Reserve (SSNERR) – 20 positions (19.00 FTE). The SSNERR is a tidal inlet of the Coos estuary six miles southwest of Coos Bay. The area was designated in 1974 as the first national estuarine research reserve and consists of 1,000 acres of tidelands and open water surrounded by a 3,800-acre upland border. The total acreage is part of the U.S. National Estuarine Research Reserve System established by the Coastal Zone Management Act of 1972. SSNERR operates an interpretive center and maintains nature trails for hikers and canoeists. It also conducts a variety of research, education, and stewardship programs. Its laboratory work is co-located with the Oregon Institute of Marine Biology in Charleston, which is operated by the University of Oregon.
- Capital Improvements – no positions or FTE. Manages property as assets of the Common School Fund. Expenditures in this program include land rehabilitation and conversion; small infrastructure design and construction projects; facilities rehabilitation; general maintenance and repair; weed control; and response to environmental hazards.

Revenue Sources and Relationships

Other Funds revenue for the Department is derived from program operations and investment income. Statutory program operations generate revenue from waterway, hydroelectric, sand, and gravel leases; unclaimed property dividends; and removal-fill permit fees.

DSL derives statutory revenues from investment earnings on unclaimed property held in trust within the Common School Fund. With the transfer of administration of the unclaimed property program to the Oregon State Treasurer (OST), a portion of those earnings will be used to fund the administration of those programs at OST. Refinements were made by HB 2158 (2021) to provide the specific statutory framework for the OST administration of the program.

Constitutional revenue is primarily investment income on that portion of the of the Common School Fund derived from assets generated from periodic land sales and other revenue generated from property holdings for deposit in the Common School Fund and to a lesser extent, investment income derived from escheated estates. Common School Fund revenues also include receipts from timber harvests on Common School forest land. The Department of Forestry (ODF) manages forest land for DSL. Budgeted revenues for the 2023-25 biennium from timber sales on CSF lands managed by ODF are $7.5 million and budgeted costs of ODF management on those lands is $4.82 million.

Common School Fund revenue distributions to the Department of Education are made on an annual basis. Because these funds are directly transferred to the Department of Education, they are not included as part of the DSL budget. Estimated total distributions for the 2023-25 biennium are $160 million.

Federal Funds received by the Department from the U.S. Environmental Protection Agency, Office of Coastal Resource Management; National Oceanic Atmospheric Administration, Department of Commerce; and U.S. Fish and Wildlife Service, support the wetlands program, permit streamlining efforts, and the SSNERR. Federal Fund receipts are estimated at $5.9 million for the 2023-25 biennium. If other federal funds become available during the biennium, DSL will need to request additional expenditure limitation. State match requirements range from 30% to 50% depending on the individual grants and is provided from in-kind contributions, private donations, and some Common School Fund expenditures.

Budget Environment

The Common School Fund (CSF) is a constitutional trust created to manage the assets derived from the common school trust lands granted to Oregon by the federal government at statehood. These lands originally comprised 6% of the state's land for the support of schools, plus land for a state university. Revenues from these lands and any associated mineral, timber, or other resources are dedicated to the Common School Fund. The state holds title to the mineral rights for approximately four million acres.

The Oregon constitution (Article VIII) requires the Legislative Assembly to provide by law how moneys in the Common School Fund shall be invested and distributed, and to appropriate, in each biennium, money from the fund for public education. ORS 273.105 delegates this responsibility to the State Land Board. From 1999 to 2009, distributions were based on a sliding scale of percentages of a three-year rolling average of the annual growth in the CSF's market value, with lower percentages used when fund growth was relatively sluggish.

From 2010 through 2018, the distribution target had been fixed at a rate of either 4% of the past three years' rolling average CSF balance when the average balance of the fund has increased by 11% or less, or 5% when the average balance has increased by 11% or greater. Following the passage of SB 1566 (2018), the State Land Board was presented an updated distribution study that was requested by State Treasury staff from a third-party consulting firm. Based on a number of factors including the target asset allocation of the fund, growth of unclaimed property inflows, and the distribution provisions of SB 1566, the report recommended that the distribution policy for the earnings of the Common School Fund to the State School Fund be limited to no more than 3.5% of the balance of the Common School Fund in order to maintain the stable real asset value of the fund.

The Portland Harbor Superfund Site remains an issue for the agency. The site is the result of more than a century of industrial use along the Willamette River. The EPA listed the area from the Columbia Slough to the Broadway Bridge as a Superfund Site in December 2000. Clean-up costs are anticipated to be significant. The state's potential exposure to liability for the cleanup costs are due to state-owned submerged and submersible lands in the area as well as contaminations due to run-offs from Oregon Department of Transportation owned bridges, abutments, and adjoining lands.

Currently the agency is engaged in a two-part strategy of building a legal argument that limits the state's liability for the cost of the Portland harbor clean-up, and a project-centric approach to remedial design and cleanup efforts that serve to minimize the total potential costs to the state, and to encourage other potentially responsible parties to begin cleanup work at the site. A record of decision was issued by EPA in January of 2017 that outlines a thirteen-year clean-up period with a total non-discounted cost of roughly $1.7 billion. The portion of these costs attributed to the state has not yet been determined. DSL has been using payments received from insurance companies on policies purchased by former owners and lessees of state lands to pay a portion of the Attorney General costs for the legal defense, but those funds are not anticipated to cover ongoing costs.

In addition to the funding for the legal defense costs, SB 5530 (2017) established the Portland Harbor Cleanup Fund to support the coordination of, and participation in, any contracts or agreements relating to or arising out of the Portland Harbor Superfund Site that may include investigation of baseline conditions, investigation of key sediment sites, potential infrastructure needs related to contaminated sediments, development and administration of a comprehensive data management system for the site, satisfaction of obligations under any settlement or administrative order, work required by EPA in connection with the site, and other activities directly related to minimizing the state's liability for costs related to the Portland Harbor Superfund Site.

<u>Legislatively Adopted Budget</u>
The 2023-25 biennium legislatively adopted total funds budget for the Department of State Lands is $81,084,350 supporting 113 authorized positions (110.78 FTE). This is a $122.2 million (or 60%) reduction from the 2021-23 legislatively approved budget. The reduction is due primarily to the phase out of a one-time $121 million appropriation of General Fund that was made in the prior biennium to finalize the financial decoupling of the Elliott State Forest from the Common School Fund as discussed in the current service level section below.

Current Service Level - The Current Service Level (CSL) contains the cumulative authorized expenditure and staffing levels for ongoing program activities and specific limited-duration activities that are brought forward from the prior biennium to provide a starting place for the formation of the legislatively adopted budget. The 2023-25 current service level budget for the Department of State Lands is $156.2 million (or 76.8%) lower than the legislatively approved budget for the 2021-23 biennium. This dramatic change is due to the removal of one-time expenditure authorizations that were approved in the prior biennium, the largest of which was a $121 million General Fund appropriation for deposit in the Common School Fund to complete the financial decoupling of the Elliott State Forest from the Common School Fund. Two other one-time General Fund appropriations made in the prior biennium were phased out. These totaled $2.1 million and were made to capitalize the Oregon Ocean Science Trust fund for the purpose of making wildlife and habitat conservation grants. $16.5 million in Other Fund expenditure limitation was removed from the budget for one-time authorized expenditures in the 2021-23 biennium that included: costs of contracted management and maintenance of the Elliott State Forest, legal and project costs related to the Portland Harbor Superfund site, and work on the agency's Lands Administration System replacement project.

Modifications and additions to the current service level budget for the agency were affected through the adoption of policy bills with budgetary impacts and the adoption of various policy bills and budget bills including the agency's primary budget bill; HB 5037, and the end of session omnibus budget bill; SB 5506.

Policy Bills - In the 2022 legislative session, the Legislative Assembly enacted SB 1546, which officially established the Elliott State Research Forest from lands formerly constituting the Elliott State Forest. The act decoupled the Elliott State Forest from the Common School Fund and established the publicly owned Elliott State Research Forest and the Elliott State Research Forest Authority, a new state agency tasked with operating and overseeing the Forest and necessary infrastructure. The measure had an operative date of January 1, 2024, for the establishment of the new state agency conditioned on a number of tasks being completed on or before July 1, 2023.

Senate Bill 161 changed the date by which certain tasks to establish the Elliott State Research Forest must be accomplished from July 1st to December 31, 2023. The measure also changed the requirements related to federal and state responsibilities for a final habitat conservation plan and final environmental impact statement and changed the date for the State Land Board to report to the Legislature on the status of the completion of the required tasks from September 15, 2023 to February 15, 2024.

Although there were no changes to appropriations or expenditure authority directly contained in the bill, the change of dates eliminated the period of time between the completion of the tasks and the handover of operations of the Elliott State Forest from the Department of State Lands to the Elliott State Research Forest Authority. This period had originally thought to be used for the finalization of operational plans and to allow for the discussion of the initial 18-month budget for the Authority. In anticipation of the adoption of SB 161, budgetary resources were provided to DSL in its primary budget bill, HB 5037, to continue custodial management contracts, to fund the payment of fire patrol assessments from the Oregon Department of Forestry, and for the addition of a position to serve as a transition coordinator.

House Bill 2914 established the Oregon Abandoned and Derelict Vessel Program in the Department of State Lands. The program is intended to address abandoned vessels and derelict vessels; and ensure that state-owned submerged and submersible lands are managed for the public interests in fishery, navigation, commerce and Recreation. The measure also established the Oregon Abandoned and Derelict Vessel Fund which is continuously appropriated to DSL for the program. However, HB 2914 did not identify an ongoing funding source for the capitalization of the fund. This was addressed by the Legislature in SB 5506, the end of session omnibus budget bill, with the authorization to expend $17.8 million transferred to the fund from the monies received by the Department of Justice for the recent Monsanto settlement.

Budget Bill impacts - HB 3114 (2022) provided a $1,060,000 General Fund appropriation for deposit in the Oregon Ocean Science Fund for distribution by the Oregon Ocean Science Trust in consultation with the Oregon Coordinating Council on Ocean Acidification and Hypoxia. The agency was provided a corresponding increase in Other Funds expenditure limitation for the monies deposited in the fund for distribution of the grant funding. It was anticipated that $600,000 of the grant funds would remain undistributed at the end of the 2021-23 biennium. Therefore, policy package 111 was adopted providing $600,000 Other Funds expenditure limitation from the Oregon Ocean Science Fund established under ORS 196.567 to allow the agency to complete the distribution of grants for science and monitoring on nearshore keystone species including sea otters, nearshore marine ecosystems, kelp and eelgrass habitat, and sequestration of blue carbon.

The budget includes funding for continued protection of the state's interests in the cost allocation and natural resource damage assessment work for the Portland Harbor Superfund Site. The funding includes 2023-25 biennium expenditure authority for anticipated Department of Justice legal expenses to defend the state's interests specifically connected to the State Land Board's jurisdiction and authorities, continuation of a limited-duration Natural Resource Specialist 4 project coordinator position (1.00 FTE) that has been funded in the past three biennia, and provides for professional services contract work for environmental consulting and remediation project design development. The personal services and associated operational expenses for the position total $316,166. The remaining cost of the package is for estimated Attorney General costs of $1.1 million and $1.4 million in professional services contracts. This funding has been included in the agency's budget since the 2011-13 biennium as shown in the following table.

	Personal Services	Attorney General	Professional Services	Total
2011-13 (pop 103)		200,000	500,000	700,000
2013-15 (pop 101)	171,374	708,027	2,635,369	3,514,770
2015-17 (pop 101)	186,916	639,633	3,912,000	4,738,549
Dec. 2016 E-Board	0	1,625,000	2,084,000	3,709,000
2017-19 (pop 101)	218,857	2,500,000	3,607,680	6,326,537
2019-21 (pop 101)	251,873	2,293,604	4,218,582	6,764,059
2021-23 (pop 101)	485,190	3,000,000	4,459,041	7,944,231
2023-25 (pop 101)	316,166	1,050,000	1,355,900	2,722,066
Total	**$1,630,376**	**$12,016,264**	**$22,772,572**	**$36,419,212**

In addition to the legal defense costs detailed above, $2.1 million Other Funds expenditure limitation was provided for remediation design work and initial project work within the site through the Portland Harbor Cleanup Fund. The majority of this work is a continuation of projects that were started in the 2019-21 biennium. These include funding support for remedial design work in the Swan Island and Willamette Cove areas, contracted public relations/communication, land management, contracted database development and administration, and assorted engineering costs.

The Legislature adjusted position authority related to waterway and removal-fill programs with the adoption of policy package 104. The package authorizes the establishment of two Natural Resource Specialist positions in the removal-fill program. The first of these is a Compliance Specialist position (0.76 FTE) for ensuring permit conditions are met by performing onsite post-construction reviews, monitoring to ensure compliance with permit conditions, mitigation report reviews, and other actions to ensure compliance. The second position (1.00 FTE) converts an administratively created position from the 2021-23 biennium for removal fill program administration to an authorized, ongoing, full-time position. The package also makes permanent a Natural Resources Specialist position (1.00 FTE) that had been approved as limited duration during the 2021 legislative session dealing with the legal defense and investigation of the potential liabilities of the state related to the Portland Harbor Superfund site. In practice, the position was used, and will continue to function, as a waterway permitting and compliance position in the Metro area with working title of Metro Waterway Coordinator. A second, new, Waterway Compliance Specialist position (0.76 FTE) was also authorized in the package. Lastly, the package includes funding and authorization to establish a limited duration Submerged Cable Specialist position (0.76 FTE) to lead the Department's work in undersea cable permitting processes as directed by HB 2603 (2021). There had been a delay in filling the position in the prior biennium due to a failed recruitment. Total funding, including positions and associated costs is $957,147 Other Funds.

An increase of $200,000 Other Funds expenditure limitation from the Submerged Lands Enhancement Fund for the 2021-23 biennium was approved. Statute allows for DSL to deposit up to 20% of the monies collected by DSL for leases, easements, registrations, and other permissions for the use of state-owned submerged or submersible lands. The funds are granted to entities engaging in eligible activities including marine debris cleanup, abandoned and derelict vessel removal, and habitat and water quality enhancements.

Wetlands program work funded via federal grant funding that has been ongoing over the past biennia was continued in the legislatively adopted budget with the inclusion of $192,748 Federal Funds expenditure limitation to allow the agency to complete work related to a U.S. Environmental Protection Agency grant supporting database and document delivery systems for the Oregon Wetland GIS project. DSL applied for funding assistance from the EPA under the Wetland Program Development grant program and was originally awarded $146,116 in January of 2022, but the grant was subsequently increased by $100,000 in June of 2022. DSL is using the funding to prepare documents and datasets in coordination with the Lange Council of Governments that will allow the agency to display wetland information on existing web-based mapping platforms. The project is anticipated to be completed by the end of March 2024.

As noted above in the policy bills with budgetary impacts section, Increased Other Funds expenditure limitation of $18.8 million was approved for the Department of State Lands for expenditure of allocated monies deposited in the Abandoned and Derelict Vessel Fund established by HB 2914. The fiscal impact statement for HB 2914 notes that DSL intended to use the funding to set up a discrete budgetary unit and operating program that includes a program manager, project manager, procurement specialist, natural resources specialist, and administrative positions. However, no additional position authority was included in the adopted budget for the agency. It is assumed that once the policy framework development is completed and the agency has developed a program budget, it will return to the Legislature during the 2024 session with a detailed position request.

For the past three biennia, DSL has been working on a project to replace the information technology systems that support their Lands Administration functions. The current Land Administration System (LAS) was initially deployed in 1999. In the 2021-23 biennium the agency completed planning work on the project achieving stage gate 2 and stage gate 3 endorsements and moving the project in to the current implementation phase. The new permitting and information system known as the Oregon Water and Land Stewardship (OWLS) system will allow for the agency-facing management and reporting as well as public-facing access for the application for permits, submittal and access to project documents, and payment of associated fees. Two policy packages were approved for inclusion in the adopted budget: packages 105 and 106. With these packages, one of the two administratively established business analyst positions that were created by the agency in the prior biennium related to the replacement of the system, is established as an ongoing, budgeted permanent position (1.00 FTE) in the upcoming biennium. The position will continue to support the implementation of the new permitting and information system, however as that project fully moves from planning to implementation, this position will transition into providing more generalized data analysis and decision support functions for the agency. Additionally, the budget includes resources for the continuance of a limited duration project management position (1.00 FTE). The current project schedule projects the completion of the project by June 2024.

The adopted budget provides $1,575,996 Other Funds expenditure limitation and authorizes the establishment of an Operations and Policy Analyst position (1.00 FTE) to serve as the transition coordinator through the handover of the operations of the Elliott State Forest to the Elliott State Research Forest Authority as of January 1, 2024. There were changes to the timeline for certain required tasks related to the handoff of the forest that were made in SB 161 as discussed in the policy bills with budgetary impacts section above. Most of the expenditure authority ($1.2 million) supports fire patrol assessments and professional services contracts for maintenance activities including maintaining the road system for safe public access, reforestation as required under the Oregon Forest Practices Act, and general property administration.

Although not explicitly connected to the Elliott State Research Forest, an application from the Department of State Lands to the U.S. General Services Administration was made and approved for the conversion of the land that was the former site of the Shutter Creek Correctional Facility from corrections use to wildlife conservation. There had been conversations regarding the possible use of these lands and facilities as a research headquarters for the Elliott State Research Forest. The Department of State Lands received earmarked grant funding from the U.S. Department of Housing and Urban Development for the planning and initial project costs for redevelopment of the Shutter Creek site in association with the creation of the Elliott State Research Forest and its related research infrastructure. Total funding earmarked was $4 million, however a $500,000 Federal Funds expenditure limitation was established by the Legislature to comport to anticipated expenditures in the upcoming biennium, with expenditure limitation for the remaining amount anticipated to be requested in future biennia.

Several policy packages that were adopted by the Legislature dealt with increasing Federal Funds expenditure limitation for projects or operations at the South Slough Estuarian Research Reserve funded with federal grants received in the prior biennium or anticipated to be received in the upcoming biennium. Following the development of the current service level, a request to apply for a National Oceanic and Atmospheric Agency capacity building grant and the additional Federal Funds expenditure limitation to expend the first $100,000 of a total $300,000 grant award was approved by the Emergency Board at the December 2022 meeting. The remaining $200,000 Federal Funds expenditure limitation was established by the legislature in the 2023-25 biennium via policy package 90. This action allows the agency to expend the remaining grant proceeds in the upcoming biennium. The grant covers planning and due diligence work in partnership with the Wild Rivers Land Trust for two possible land acquisition projects that are adjacent to the South Slough Research Reserve to allow for future habitat and wetland restoration projects.

Federal Funds expenditure limitation for the South Slough National Estuarian Research Reserve was further increased by $250,000 for the completion of renovations of existing public restrooms, facilities, and exhibits funded by a grant award made in the prior biennium from the National Oceanic and Atmospheric Administration through the Land Acquisition and Construction program.

A $3.5 million grant award from the National Oceanic and Atmospheric Administration for watershed enhancement ecological restoration work on the Wasson Creek Watershed was received by the South Slough. The legislatively adopted budget establishes Federal Funds expenditure limitation of $2.5 million that represents anticipated 2023-25 expenditures from the grant award. The work is anticipated to continue through March of 2027. Permission to apply for the grant funding was provided by the Emergency Board during the December 2022 meeting of the Board. The grant award was made in March of 2023. A limited duration Natural Resource Specialist Technician position (1.00 FTE) to assist with grant implementation, data collection and analysis, and reporting was authorized to be established.

In addition to the enhanced federal funding, the budget provides Other Funds expenditure limitation of $163,728 and authorizes the establishment of a permanent, ongoing, seasonal Park Ranger Assistant position (0.50 FTE) and converts an existing part-time GIS Specialist position to full-time. The Park Ranger Assistant position will support enhanced maintenance of trails and public access points for the South Slough Reserve and the expanded GIS Specialist position will increase capacity for mapping, enhanced management of lands and waters with geographic information, and other essential GIS support for both the Reserve and other DSL programs.

MARINE BOARD

Analyst: Broadus

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	26,420,794	31,911,872	31,274,285	32,247,002
Federal Funds	5,656,529	6,659,930	6,974,348	6,974,348
Total Funds	**$32,077,323**	**$38,571,802**	**$38,248,633**	**$39,221,350**
Positions	39	40	40	45
FTE	39.00	39.50	39.50	42.50

Overview

The Oregon State Marine Board is responsible for registering and titling all recreational motorized boats and sailboats 12 feet and longer in the state; providing boater education, marine law enforcement, and facility access; and mitigating the effects of invasive species on native waters. The Board's programs serve over 170,000 registered users and approximately 190,000 users who are not registered. The Board is organized according to four major program areas:

- The Administration and Education program contains all costs directly associated with the work of the actual Board, as well as performing a variety of administrative and registration functions.
- The Law Enforcement program contracts with 32 county sheriff offices and the Department of State Police for marine law enforcement services.
- The Facility Grants program offers assistance and awards grants to federal, state, and local governments for the design and construction of marine access facilities across the state.
- The Aquatic Invasive Species Prevention program protects against the introduction and spread of aquatic invasive species through education, enforcement, and inspection/decontamination services.

Revenue Sources and Relationships

The Board's revenue is generated through the collection of registration and licensing fees (58%), fuel taxes (29%), and federal grants (13%). Fuel tax transfers from the Department of Transportation ($0.38 per gallon) are based on a fuel use survey conducted by Oregon State University every four years and reflect the estimated gas consumption of active vessels in the state. The estimated revenue is sensitive to gas price increases and depends on the number of vessels registered. The number of vessels registered has slowly decreased from 168,000 vessels in 2015 to a projected 134,000 vessels in 2026.

Budget Environment

The adopted budget anticipates an increase in non-motorized boating revenue, with other revenues expected to remain stable.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Board totals $39.2 million. The budget supports increasing the half-time position (0.50 FTE) for the Towed Watersports Education Program to full-time (1.00 FTE). This position is dedicated to boater education in the Portland Metro Area and boating safety issues on the Willamette River. The budget also includes an increase of $274,051 Other Funds and five positions for seasonal employees for boating and water safety. A one-time increase of $750,000 Other Funds reflects the carryover of unexpended American Rescue Plan Act funding for the removal of abandoned and derelict vessels in the Portland Metro Area.

PARKS AND RECREATION DEPARTMENT

Analyst: McDonald

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	2,465,834	9,070,940	8,590,960
Lottery Funds	92,024,570	121,128,265	127,950,952	162,857,987
Other Funds	94,003,973	177,958,102	119,152,134	168,980,622
Federal Funds	9,478,840	22,854,464	11,473,708	21,750,147
Total Funds	**$195,507,383**	**$324,406,665**	**$267,647,734**	**$362,179,716**
Positions	863	864	860	871
FTE	596.08	597.07	592.23	632.30

Overview

The Oregon Parks and Recreation Department (OPRD) operates under the direction of a seven-member Commission. The Department operates the state's system of more than 250 recreational properties, managing various programs including: ocean shores protection; scenic waterways; the Willamette River Greenway; recreational trails; all-terrain vehicles program; recreation grants to counties and local governments; and state park land use and outdoor recreation planning. The OPRD director is also designated as the State Historic Preservation Officer and oversees activities of the Oregon Heritage Commission and Oregon Commission on Historic Cemeteries. In addition, the Department manages Natural Resource Lottery Funds programs including local park development grants; state park land acquisition; operations and maintenance; the parks-prisons inmate work program; state park facilities; and development projects.

The Department manages park lands covering 113,000 acres. These include 56 campgrounds, 256 day-use areas (some include campgrounds), about 1,000 miles of recreation trails, 362 miles of ocean shore, and other special sites such as boating and fishing docks, group meeting halls, interpretive centers, museums, and 2 historic inns.

The Department operates through the following programs:

- Director's Office – (5 positions, 5.00 FTE) Responsible for overall agency management; support of Commission activities; coordination with the Governor, Legislature, and other government entities; and development of broad policy direction. It also provides public information, agency program review, internal audits, and coordinates rulemaking in its efforts to improve agency performance.
- Central Services – (89 positions, 87.38 FTE) Provides budget and fiscal resources management, staff recruitment and training, safety and risk management, information technology services including managing the park reservation system, and centralized business services such as fleet and procurement.
- Park Development – No budgeted positions are currently housed in the program. The park development budget includes the non-personnel costs of engineering, survey, and construction for statewide park development projects, including repairs and deferred maintenance. This budget also includes funding for the purchase of new real property.
- Direct Services – (748 positions, 511.28 FTE) Supports park operations; park planning and recreation programs, along with property and resource management; and engineering services for operations. The program is responsible for operation of the state park system and provides labor, materials, and products for state parks through partnerships with state, county, and local corrections and youth crew programs.
- Community Support and Grants – (29 positions, 28.64 FTE) Responsible for direction and management of the Department's major grant and Heritage programs. The grant programs include the All-Terrain Vehicle (ATV) program, Land and Water Conservation Fund, Local Government Grant Program, Recreational Trails

Grant Program, Natural Heritage (Section 6) grants, and Recreational Vehicle Grant Program. The Heritage program administers federal and state programs for historic and archeological resource planning and preservation, and provides the services required of the State Historic Preservation Office.

Revenue Sources and Relationships

The primary revenue sources for the agency are constitutionally dedicated Lottery Funds and park user fees. In the prior biennium, OPRD reached the constitutional threshold that requires the agency to shift from the provisioning of lottery revenues received for local park development grants, from 12% to 25%, thus reducing the percentage of Lottery Funds available for agency operations. Other revenue sources are typically dedicated to specific purposes. These include: a share of recreational vehicle registration revenues, monies transferred from the Oregon Department of Transportation for the maintenance of park roads and rest areas, sales of off-road permits for all-terrain vehicles, and a share of fuel tax revenues from taxes on gasoline used in off-road vehicles. Federal Funds revenue is received by the agency for the administration of several federally sponsored programs including land and water grants, heritage preservation, recreational trails, and natural heritage.

In November 1998 and again in November 2010, voters approved measures constitutionally dedicating 15% of the net proceeds of Oregon's lottery revenues to a Parks and Natural Resources Fund. Half of the fund is allocated to OPRD; the remainder is allocated primarily to the Oregon Watershed Enhancement Board.

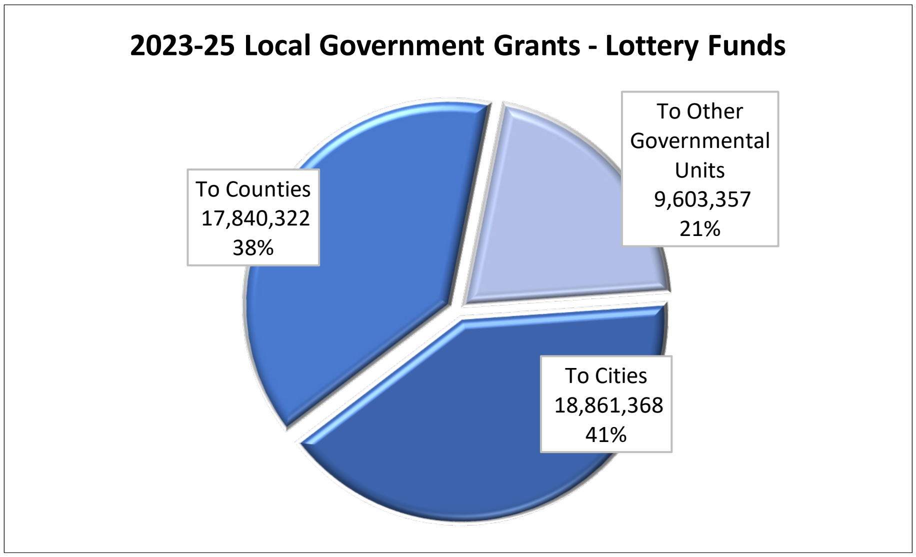
Article 15, section 4a (3), of the Oregon Constitution details the allocation of Lottery revenues between Oregon Parks and Recreation Department operations and local parks programs grant funding. Historically, 88% of the funding has been used for OPRD operations and 12% has been allocated to local grants. The Constitution requires a redistribution of the funding to 75% for OPRD operations and 25% for local grants if the revenues deposited in the Parks and Natural Resources Fund exceed 150% of the amounts deposited in the 2009-11 biennium. Importantly, the constitutional language requires that the change in the distribution be based on revenue amounts realized. Although Lottery revenues were predicted to eclipse the trigger in the prior (2021-23) biennium, the rebalance of revenues between agency operations and local grants was not budgeted in the prior biennium. Instead, sufficient fund balances for the redistribution of those revenues were built into the OPRD budget for 2021-23 in anticipation of those revenues being redistributed in the 2023-25 biennium. The May 2023 revenue forecast for the 2021-23 biennium forecasted Lottery revenues dedicated to the Parks Subaccount of the Parks and Natural Resources Fund to be $136.1 million. This is roughly 167% of the 2009-11 funding amount, clearly exceeding the constitutional trigger and requiring the reallocation of funding to the local grants program. For the current biennium budget, that increase in local grant funding is included in the legislatively adopted budget, but should be thought of as a current service level issue.

The following display shows funding amounts for 2009-11 through projected revenue for 2023-25. In 2009-11, the local grant amount is less than 12% of the net lottery available because the measure passed and was effective mid-biennium. Although the 2021-23 biennium revenues exceed the constitutional trigger to increase local grants to 25% of total revenues, the marginal increase (13%) in allocated 2021-23 revenues is budgeted for expenditure in the 2023-25 biennium. Revenues exceeding the constitutional trigger in the 2023-25 biennium will be budgeted for expenditure in the 2025-27 biennium.

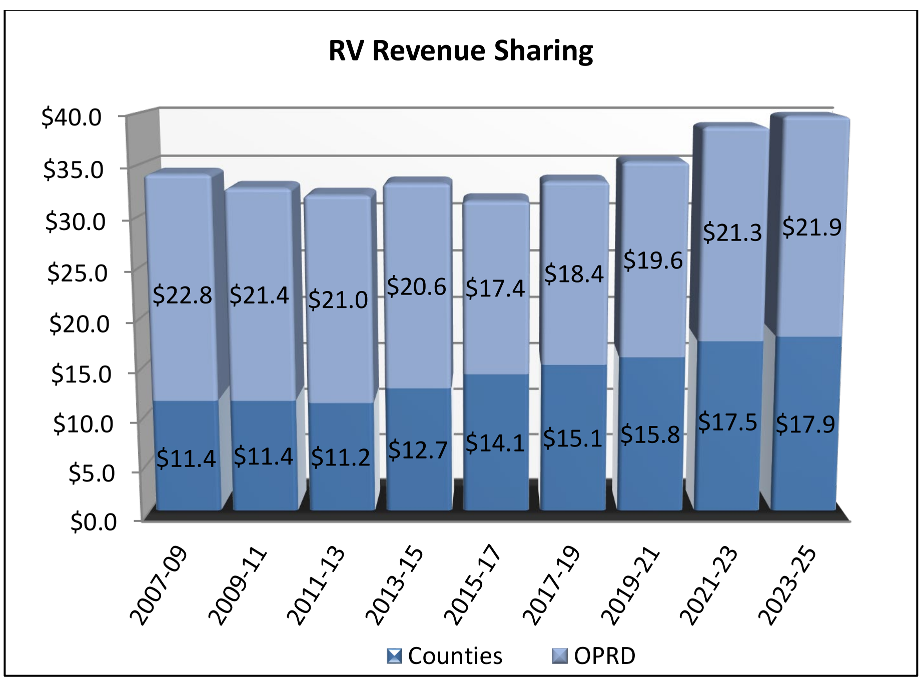
Parks Dedicated Lottery Funding

	2009-11	2011-13	2013-15	2015-17	2017-19	2019-21	2021-23	2023-25
$ Millions	$ 81.5	$ 81.0	$ 79.6	$ 92.7	$ 96.1	$ 90.1	$ 136.1	$ 137.4
Percent Change from 2009-11 Biennium		-0.6%	-2.4%	13.7%	17.9%	10.6%	67.0%	68.6%
Local Grant Program	$ 6.5	$ 9.7	$ 9.6	$ 11.1	$ 11.5	$ 10.8	$ 16.3	$ 34.2
Percent of total funding	8%	12%	12%	12%	12%	12%	12%	25%

The 2023-25 legislatively adopted budget assumes $137.4 million Lottery Funds revenue will be generated for the State Parks and Recreation Department sub-account as of the May 2023 revenue forecast. Of that amount, 12%, or $16.5 million is budgeted for local park grants in the 2023-25 biennium. An additional $17.7 million of 2021-23 biennium revenues are added to this to account for the increased allocation of Lottery revenues from 12% to 25% as required by the Oregon Constitution. Although not funded through newly recognized revenues, the adopted budget also includes $13.7 million Lottery Funds expenditure limitation for the distribution of unexpended local government committed grant funding awards from prior biennia. The budgeted distribution of local government grant funding is presented graphically in the following figure:



The OPRD budget anticipates transfers from the Oregon Department of Transportation (ODOT) totaling $60.9 million. Of that amount, $39.8 million is from recreational vehicle (RV) registration fees. These revenues are split between counties and OPRD at a current rate of 45% to counties and 55% for Parks operations.



The current revenue split was effective July 1, 2015, due to the Legislature modifying the distribution in SB 1514 (2014). Prior to that legislation, the counties were receiving 35%, and there was a sunset that would have reduced their share to 30% on June 30, 2015. SB 1514 eliminated the sunset and increased the counties' share. For 2023-25, of the total transferred RV revenue of $39.8 million, $21.9 million will be retained for the state parks system and $17.9 million will be transferred to counties.

A portion of the transfer that OPRD receives from ODOT is for the estimated amount of unrefunded fuel tax associated with purchase and use of fuel by valid all-terrain vehicles (ATV) permit holders. The estimated revenues for 2023-25 are $17.3 million. OPRD uses this revenue to provide safety outreach and support through community grants to maintain ATV riding areas throughout the state. Valid ATV permits are counted for a two-year time period, from May through June. Fuel tax is calculated by multiplying the number of valid permits by the estimated number of gallons of fuel used in a year for each ATV class, which is determined by a survey conducted by Oregon State University every four years. The total estimated number of gallons is multiplied by the current state fuel tax rate of $0.34 per gallon. ATV funds are used for payments to the Department of State Police for troopers and to the Department of Forestry for ATV trails operations and maintenance in addition to ATV parks and trails developed by OPRD. OPRD refunds a portion of fuel tax attributable to Class 1 ATVs back to ODOT for the development and maintenance of snowmobile facilities. For the 2023-25 biennium this is anticipated to be $823,804.

The Oregon Travel Information Council (TIC) currently manages three of the OPRD properties serving as safety rest areas in Oregon along interstate and state highways. The properties that TIC manages include Van Duzer, Ellmaker, and Peter Skene Ogden. OPRD maintains ownership of these properties, but the responsibility to manage, maintain, and improve the properties as rest areas has been transitioned to TIC. Since OPRD still owns the properties, and these properties can be used by visitors for recreation beyond a rest area function, OPRD still has certain maintenance and operations responsibilities for these properties. The 2023-25 budgeted transfer from ODOT is $2,189,748.

The Legislature also created a "salmon" license plate that has a premium surcharge above the standard license plate fees. OPRD anticipates receiving $340,740 in the 2023-25 biennium from the salmon license plate. OPRD expends its share of proceeds from the sale of these plates on salmon habitat restoration needs and related projects. Other dedicated revenue sources include $1.24 million from ODOT for the maintenance of state highways in state parks, and $400,000 from the Marine Board for boater facility maintenance and rehabilitation. Assorted Other Funds from the Deschutes River boater pass, rental of park property, sale of publications, and other donations and miscellaneous sources are also collected.

The Department also expects to receive $22 million in Federal Funds. Federal revenues fund a number of ongoing programs including land and water protection and enhancements, heritage preservation, recreational trails, and natural heritage preservation.

SB 794 was adopted during the 2021 legislative session requiring that the schedule of park user fees relating to recreation vehicles be 25% higher for non-residents than for residents of Oregon. Park user fees are estimated to produce $65 million in revenue during the 2023-25 biennium.

Budget Environment

Property acquisition is a fundamental component of ensuring an adequate supply of land is available for the recreational enjoyment of Oregonians and to preserve an area of outstanding natural, scenic, or historical value. Opinions vary widely on how much new parkland is needed. On average since 1997, there have been 27.3 acres of state park lands per 1,000 people in Oregon. The addition of new parks and recreation sites exert upward pressure on ongoing operational and maintenance costs. Lottery Funds have made these acquisitions and new developments possible. Managing the increase in operating costs over time, however, is a major issue. Changing demographics may result in promoting different forms of recreational activity other than camping. With the shifting of 13% of total Lottery revenues from park operations to local parks grants, the ability of Lottery Funds to fuel future acquisitions is less certain.

In addition to the diminished available funding for park acquisitions using Lottery Funds, the agency will face operating budget constraints due to the reduction in available Lottery Funds for general operations. This may necessitate the reduction in general park operations and programs or require increases in park user fees to maintain current operating capacity.

Legislatively Adopted Budget

The legislatively adopted budget for the Oregon Parks and Recreation Department totals $362.2 million which includes $8.6 million General Fund for debt service obligations, $162.9 million Lottery Funds, $169 million Other Funds, $21.8 million Federal Funds, and 871 positions (632.30 FTE). The 2023-25 adopted budget represents a $37.8 million, or 11.6%, increase from the 2021-23 legislatively approved budget. The adopted budget begins with the creation of the current service level and then further adjusted through the approval of various policy bills with budgetary impacts and specified budget bills, including the agency's primary budget bill, SB 5527

Current Service Level - Beginning with the 2021-23 Legislatively Approved Budget, adjustments are made both in the base budget and through essential budget packages to arrive at the Current Service Level (CSL) budget for the 2023-25 biennium. The Current Service Level contains the cumulative authorized expenditure and staffing levels for ongoing program activities and specific limited-duration activities. There are automated adjustments to the base budget that account for standard inflationary factors, changes to personal services for roll-up costs of permanent positions, elimination of limited-duration positions and associated costs, anticipated debt service, and non-limited expenditure authority. Essential package adjustments include the phase-in of ongoing programs that were not fully budgeted in the prior biennium, phase-out of one time or expiring expenditure authorizations, extraordinary inflation, technical adjustments, and revenue shortfall adjustments.

The CSL budget for OPRD decreased by $56.8 million, or 17.5 percent, from the legislatively approved budget for the 2021-23 biennium. This reduction is entirely due to the removal of expenditure limitation for bond proceeds and for both state and federal grant programs for which limitation is reestablished in the requested budget. By removing these extraordinary items, total expenditures at CSL rise by $18.1 million, or 5.6% from the legislatively approved budget. Increased debt service and inflation being the two largest reasons for the increase.

General Obligation bond authorization was provided in SB 5506 (2021) to produce $50 million in net proceeds for capital construction projects at OPRD. The agency was provided six-year expenditure limitation for those proceeds in the 2021-23 biennium. Base budget adjustments included the removal of that $50 million from the biennial budget, however the expenditure authority remains throughout the six-year period.

General Fund debt service is increased by $6.8 million in the base budget to a total of $9.07 million for the general obligation bonds issued in 2021-23. Lottery Funds debt service was adjusted upwards by $818,928 to account for the cost of debt service on lottery revenue bonds issued in prior biennia related to Willamette Falls, Oregon Main Street Grants, and Forest Park.

Funding was phased-out of the current service level budget for one-time funded activities and for most grant programs. It has been the practice of the agency to eliminate the previously authorized expenditure limitation, both Other Funds and Federal Funds, for grant programs at the current service level and then re-establish expenditure limitation for those programs in the upcoming biennium via a policy package at the anticipated amount of available grant funding.

Budget Bills - Two significant budget adjustments were included in SB 5527, the primary budget bill for OPRD. Both of these deal with Lottery Funds expenditure limitation in the Community Support and Grants program. The Legislature supported a one-time increase in Lottery Fund expenditure limitation of $17.7 million. This increase is for monies reallocated to the local and regional grant program from lottery revenues received in the 2021-23 biennium due to total lottery revenues in that biennium exceeding 150% of the revenues received in the Parks and Natural Resources Fund in the 2009-11 biennium as discussed in the revenues section above. In the prior biennium, 12% of those revenues were appropriated for local government park grants. The increased limitation in this package represents the difference, 13%, and carries-forward the expenditure of those funds into the current biennium. This was combined with an reduction to the current service level for local government grants of $1.1 million Lottery Funds to align 2023-25 local government grant funding with projected revenues as of the May 2023 revenue forecast offset by a $13.7 million Lottery Funds expenditure limitation increase to allow the agency to distribute lottery revenues for local government grant awards carried forward from prior biennia.

Multiple other ongoing and one-time adjustments to expenditure limitations were included in the legislatively adopted budget. An ongoing increase to expenditure limitation of $3 million Other Funds was included to allow for the distribution of grants from increased revenues from ATV permits and a portion of gas taxes transferred to the department from the Department of Transportation. Expenditure limitation was increased on an ongoing basis by $7,131,960 Federal Funds in the Community Support and Grants division to accommodate additional federal funding made available through the Great American Outdoors Act. The increased limitation is for monies anticipated to be received from the Land and Water Conservation Fund. the Great American Outdoors Act was signed into law in 2020, authorizing $900 million annually in permanent funding for Land and Water Conservation Fund. Prior to the passage of the Act, fund revenues relied on annual Congressional appropriations.

Within the Community Supports and Grants program, the adopted budget provides one-time increases in expenditure limitation of $10,058,414 Other Funds and $3,144,479 Federal Funds to enable the agency to distribute funding from those grant awards that were made in the prior biennium. The individual programs and funding amounts are:

- $8.8 million Other Funds for the Oregon Main Street grant program. This amount represents the remaining funding available from $10 million in net bond proceeds from bonds authorized in the 2021-23 biennium.
- $358,414 Other Funds for County Opportunity grants funded from a portion of recreational vehicle fees.
- $900,000 Other Funds for All-Terrain Vehicle grants funded from a percentage of gas taxes and through ATV user permit fees.
- $2,771,937 Federal Funds for Land and Water grants for public entities to acquire or develop land for outdoor recreation.
- $372,548 Federal Funds from the U.S. Department of Transportation, Federal Highway Administration for recreation trails grants to develop, improve, or expand motorized and non-motorized trails and their facilities.

Lottery revenue bonds were authorized for the Oregon Main Street grant program. The net bond proceeds authorized was $10 million with $155,705 anticipated for bond cost of issuance. Other Funds expenditure limitation for OPRD was increased for both the net bond proceeds and cost of issuance in the end of session omnibus budget reconciliation bill, SB 5506. The bonds are initially scheduled to be issued in March of 2025; therefore, no associated debt service was included in the budget for 2023-25.

The significant increases in funding for grant programs from all fund sources necessitated the addition of positions in both the Community Support and Grants program and the Central Services Program. The legislatively adopted budget increases expenditure limitation in the Community Support and Grants program by $520,797 Lottery Funds, $108,575 Other Funds, and authorizes the establishment of three permanent, ongoing positions (2.64 FTE). The positions include an Archivist position, providing specialized data management to support the Heritage Division, a Compliance Specialist, Program Analyst 2, to support the federal review and compliance programs, and a Program Coordinator, Program Analyst 2 for the Local Government Grant Program in order to meet increasing program volume due to lottery revenues increase triggering an increasing the funding for the local and regional grants from 12% to 25% of total lottery revenues allocated to the agency.

In the Central Services program $526,807 Lottery Funds, $553,156 Other Funds, and the establishment of five administrative support positions (4.40 FTE) was authorized to accommodate increased financial services and human resources workload. The positions include two Operations and Policy Analysts (employee services and Workday administrator, and a labor relations manager), an Accountant, a Human Resources Analyst, and a limited-duration Payroll Analyst.

Over the past few biennia, there have been operational challenges that are specific to the Oregon Parks and Recreation Department that cannot be addressed in the budget using standardized statewide inflationary factors. The legislatively adopted budget includes increased expenditure limitation for specific operational costs that are increasing at a rate that is greater than the assumed rate of inflation calculated in the current service level, are for expenditure categories for which the assumed rate of inflation is not applied or are due to changes in the agency's operations.

- In the Central Services division, the budget increased expenditure limitation by $53,658 Lottery Funds and $56,342 Other Funds to account for costs of network connectivity throughout the state.
- In the Direct Services division, the budget increased expenditure limitation by $181,327 Lottery Funds and $190,397 Other Funds for increased costs for utilities, including electricity, natural gas, water, and sewer costs, and $172,923 for seasonal fleet vehicles leased from the Department of Administrative Services.
- In the Director's Office division, the budget increased expenditure limitation by $2,911 Lottery Funds and $3,058 Other Funds for anticipated Attorney General costs.

In addition to the increased expenditure authority related to costs that are not captured using standard inflation factors, the legislatively adopted budget includes additional expenditure authority in anticipation of the continued upward trajectory of park utilization. Increased expenditure limitation of $2,260,405 Lottery Funds and $2,373,500 Other Funds was provided to support the expansion of seasonal staff positions. No additional positions were added, but working months for existing positions were increased resulting in increased position authority of 30.27 FTE. Associated expenditure limitation of $727,154 Lottery Funds and $905,714 Other Funds was provided on an ongoing basis to adjust eighteen services and supplies expenditure categories to account for the projected increase in use.

A one-time increase in expenditure limitation of $16.25 million Other Funds in the Direct Services program was made for repairs and improvements to facilities in existing parks. This funding is complementary and supplemental to the bond proceeds for park capital projects that were provided in the prior biennium and carried-forward to the 2023-25 biennium. The expenditures enabled by this funding allow for work on projects that are similar or related to the bond funded projects but are not specifically within the scope of the bond funding. Project planning has been completed and the agency believes that it will be able to complete the work within the upcoming biennium. Projects were prioritized using a variety of factors including, assessment of potential for critical failure, resolving potential violations of laws or regulations, impact to visitors, potential revenue losses, and accessibility.

The Direct Services program budget was further increased by $121,950 Lottery Funds and $3,008,050 Other Funds for customer service-oriented projects. The additional Lottery Funds and $128,050 Other Funds are for the addition of electric vehicle charging stations, $315,000 Other Funds is for the addition of vault restrooms in the Willamette Greenway, and $170,000 is for Deschutes River Boater Pass restroom replacements. All of these are one-time funded projects. The remaining ongoing increase of $2,395,000 Other Funds expenditure limitation supports expenditures of dedicated and trust funds from revenues received from donations, trust funds, sales of firewood and ice, and retail merchandise sales. It also includes 3.5% of day use and camping fee revenues dedicated to fund preventative maintenance projects in each of the regions. In the Central Services program expenditure limitation was increased by $146,026 Lottery Funds and $153,330 Other Funds to cover the cost of printing and distribution of day use permits. This cost increase also reflects a change to higher quality, biodegradable products.

OPRD has been working since 2017 on a project to find a replacement solution for managing campground reservations, park sales, and customer data. The current system used by OPRD was deployed in 1996 and is currently deficient in addressing needed functionality, data retention and recall, and operational needs. The adopted budget makes a one-time increase of $2,275,000 Other Funds expenditure limitation to fund the project implementation phase of the reservation system replacement project following vendor selection. The funding supports professional services contracts. The agency has received Stage Gate 2 endorsement from Department of Administrative Services, Enterprise Information Services, and has begun to evaluate vendors. A contracted vendor solution should be ready to be implemented in February 2024. Implementation is projected to take an additional nine months, with a two-phase launch beginning in November 2024 and concluding in May 2025. Three existing permanent positions will support this work.

Further evaluation of disparate information technology systems and processes have indicated the need for in-depth, enterprise level understanding of the current information architecture at OPRD, and to describe a viable and efficient future path towards more resilient and efficient agency operations. The budget Increased expenditure limitation by $417,375 Lottery Funds, $938,252 Other Funds and authorized the establishment of one limited duration project manager position (1.00 FTE), one permanent project manager position (0.88 FTE), and one permanent business analyst position (0.88 FTE). The limited duration project management position will oversee the implementation of a new reservation system, scheduled to conclude during the 2023-25 biennium.

Of the total increase in Other Funds expenditure limitation, $500,000 is provided on a one-time basis for IT professional services contracts to assist with data/information inventories and governance processes. This funding along with the two additional permanent positions will augment existing agency resources to allow the agency to create foundational modernization planning documents that include but are not limited to an information system strategy supporting the OPRD business strategy, data governess and data management plans, information system future-state design plan and associated documents, and an agency information technology modernization roadmap. The funding will allow the agency to continue to appropriately engage with staff at the Department of Administrative Services Enterprise Information Services to ensure conformance with enterprise information technology policy and guidance, and to provide regular reservation system project status reports.

WATER RESOURCES DEPARTMENT

Analyst: McDonald

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	35,208,113	72,589,805	63,159,245	81,331,457
Lottery Funds	7,563,185	7,968,940	15,073,140	15,856,857
Other Funds	31,072,304	125,596,247	90,585,059	174,067,284
Federal Funds	533,042	1,119,017	703,315	703,315
Total Funds	**74,376,644**	**207,274,009**	**169,520,759**	**271,958,913**
Positions	177	241	235	258
FTE	171.79	216.82	229.18	246.63

Overview

The Water Resources Department (WRD) issues and protects water rights and implements water policy for the state. WRD is the administrative arm of the Water Resources Commission, a seven-member citizen board appointed by the Governor and confirmed by the Senate. WRD functions include enforcing the state's water laws, recording and enforcing water rights, developing water resources, inspecting wells and dams, and providing scientific and technical analysis of surface and groundwater resources. By law, all surface and groundwater in Oregon belongs to the public. The agency's mission is to "serve the public by practicing and promoting wise long-term water management" through the restoration and protection of stream flows and watersheds and by directly addressing Oregon's water supply needs. Informally, WRD is known as the state's water quantity regulator as opposed to the water quality regulator, the Department of Environmental Quality.

The Water Resources Department has undertaken a significant organizational restructuring. The prior single vertical structure has been divided into two primary organization structures. The Field Services, Technical Services, and Water Rights Services divisions have been grouped under a new Water Management program and the remaining Administrative Service division and the Director's Office have been grouped under a new Strategy and Administration program.

Water Management Program

- **Field Services** – (88 positions, 86.96 FTE) Administers water laws, including dam and well inspections, and water right regulation and enforcement. The division regulates water use in order to protect senior water rights for both in-stream and out-of-stream purposes. The WRD organized the state's 21 watermaster districts into five regions for more efficient use of field personnel. Field staff include region managers, watermasters, technicians, and assistant watermasters. Field staff responsibilities include dam inspections, enforcing water distribution among water right holders, processing water right transfers, hydrologic data gathering, well construction inspections, well monitoring, and water right record maintenance. In addition, field staff act as liaisons with Watershed Councils, municipal water suppliers, local governments, and irrigation districts to explain Commission and Department policies, review water management plans, provide information on water availability and water rights, and bring regional policy issues back to the Department.
- **Technical Services** – (56 positions, 55.28 FTE) Manages data and technical analyses of the state's surface and ground water. The Division supports both current and long-term water management needs by collecting, analyzing, and applying information on ground water and surface water resources. Technical Services' programs include hydrologic analysis, ground water investigations, surface water availability, hydrographics, dam safety, stream gauging, geographic and water rights information systems, well construction and enforcement, and water use reporting.

- **Water Right Services** – (40 positions, 34.17 FTE) Evaluates both in-stream and out-of-stream water right applications, and administers programs such as water right certification, permit administration, water right transfers, stream flow restoration, water supply and conservation planning, adjudication of pre-1909 and federal reserved water rights, and hydroelectric licensing. It also has the lead responsibility for Oregon's hydroelectric water right and licensing program. Approximately 154 currently authorized licensed hydroelectric projects pay annual fees to support the coordinated programs in the Departments of Water Resources, Fish and Wildlife, and Environmental Quality.

Strategy and Administration Program

- **Administrative Services** – (41 positions, 39.63 FTE) Provides information technology, human resource, accounting, payroll, contracting, facilities management, risk management, training services, and budget preparation and execution.
- **Director's Office** – (33 positions, 30.59 FTE) Oversees all policy-related functions of the agency. The Office coordinates the development of administrative rules, provides citizen response and information services, supports the Water Resources Commission activities, develops legislative proposals, and provides oversight of agency activities related to the Oregon Plan for restoration of salmon and watersheds, the Global Warming Commission, Government-to-Government tribal activities, and Sustainability and Streamlining Efforts. The Director's office also houses the Integrated Water Resource Strategy (IWRS) Coordinator position, providing policy direction and leadership for the agency's IWRS program. The program operates the Water Conservation, Reuse, and Storage Grant Program established by SB 1069 (2008) providing funding for feasibility studies. The program also operates the Water Supply Development Fund established by SB 839 (2013) to provide loans and grants for water resources development projects that evaluate and plan projects to provide access to new water supplies for in-stream and out-of-stream uses. Most bond-funded projects are now administered under the Director's Office
- **Water Development Loan Program** – Established by the Legislature in 1977 as a general obligation bond program to finance irrigation and drainage projects. The loan program was expanded in 1982 and 1988 through constitutional amendments approved by voters to also include community water supply, fish protection, and watershed enhancement projects.

Revenue Sources and Relationships

The legislatively adopted budget includes expenditure limitation of $133.5 million Other Funds for the expenditure of lottery revenue bond proceeds. An additional $15.9 million Lottery Funds expenditure limitation is also included for debt service on bonds issued. One time funding in the agency's budget includes $15.3 million General Fund and $15.9 million Other Funds originating from the American Rescue Plan Act (ARPA).

Exclusive of the additional Other Funds expenditure limitation for bond proceeds, Lottery Funds expenditure limitation for debt service, and one-time investments, the Department's operating budget is primarily General Fund, representing 76.4% of the operating program expenditures. General Fund is used throughout the agency. In some of the operating divisions that charge fees for certain transactions and services, General Fund is used to cover a portion of the cost to provide those services where the revenue generated from the fees have limitations imposed by statute, contract, or legislative policy on the percentage of the revenue that can be used to cover the actual cost of providing the services.

Other Funds revenue outside of bond proceeds and ARPA funding comprises 22.8% of the operating revenue for WRD. Other Funds revenue sources include start card fees (well drilling), water right and transfer fees, exempt ground water use fees, geotechnical hole fees, hydroelectric fees, interest earnings, and payments from various county and state agencies for contracted services. The Department assumed $14.9 million of fee revenue, including $825,000 federal service contract revenues for the 2023-25 biennium.

Lottery Funds are used exclusively to pay debt service on lottery revenue bonds. Lottery Funds transferred to the department for debt service total $15.9 million for the 2023-25 biennium.

Federal Funds received through the Federal Emergency Management Agency (FEMA), Bureau of Reclamation, and other federal agencies represents about 0.8% of the agency's operating budget.

Budget Environment

Surface waters in most of the state are fully appropriated by existing out-of-stream and in-stream uses, except during periods that fall outside of the irrigation season when stream flows are generally higher. There are also several areas in Oregon that are experiencing reductions in ground water supplies. The effect of climate change on Oregon's water supply is in an early stage of analysis requiring a close look at how it may affect water rights, crop production, and migration patterns.

Since there are few new water rights available, the agency has shifted significantly towards identifying, developing, and managing the water. There is not an identified revenue source to accomplish this work and over the past four biennia, General Fund has gone from 48.76% of the operating budget (less bond proceeds, one-time funding, and debt service) in 2013-15 to a high of 77.2% in 2021-23, and 76.4% of the operating budget in the current biennium.

Also due to the near full allocation of water, a significant body of work has developed in the processing of water right transfers. This has also led to a large backlog of protests to both decisions made on transfer applications and on new water right applications.

Listings and potential listings under the Endangered Species Act and water quality issues increase the complexity of water allocation decisions. The habitat of the spotted frog continues to be an issue, particularly in the Deschutes River basin.

The state of water supply infrastructure is a growing area of concern. Many local governments and local water districts are faced with the prospect of repair or replacement of aging infrastructure, and the hardening of infrastructure to resist natural hazards including earthquakes and wildfire. There is capacity within existing state loan and bonding programs for the financing of public works projects, however the ability of district constituents to support the costs of these major projects varies widely throughout the state. The majority of bond supported funding passing through the agency is to support the planning and implementation of water supply infrastructure projects throughout the state.

Legislatively Adopted Budget

The legislatively adopted budget for the Water Resources Department totals $271,958,913, which represents a $64.7 million, or 32.1%, increase from the legislatively approved budget for the 2021-23 biennium. The budget is a $102.4 million, or 60.4%, decrease from the current service level. The budget supports 258 positions, 246.63 FTE. The adopted budget begins with the creation of the current service level and then further adjusted through the approval of various policy bills with budgetary impacts and specified budget bills, including the agency's primary budget bill.

Current Service Level - Beginning with the 2021-23 legislatively approved budget, adjustments were made both in the base budget and through essential budget packages to arrive at the current service level (CSL) budget for the 2023-25 biennium which forms the starting point for the 2023-25 legislatively adopted budget. The current service level contains the cumulative authorized expenditure and staffing levels for ongoing program activities and specific limited-duration activities. There are automated adjustments to the base budget that account for standard inflationary factors, changes to personal services for roll-up costs of permanent positions, elimination of limited-duration positions and associated costs, anticipated debt service, and non-limited expenditure authority. Essential package adjustments include the phase-in of ongoing programs that were not fully budgeted in the prior biennium, phase-out of one time or expiring expenditure authorizations, extraordinary inflation, technical adjustments, and revenue shortfall adjustments.

Lottery Funds debt service increases in the base budget by $5.6 million to account for debt service commitments on bonds issued in the 2021-23 biennium. Personal Services expenditure authority increases by $5.4 million in the base budget to account for the roll-up costs of permanent positions that were established in the prior biennium. The net increase in full-time equivalent positions in the base budget is 12.36 after the removal of position authority for six limited duration positions.

The 2021-23 legislatively approved budget included significant one-time and ongoing investments to address water planning, water equity, drought, and cannabis issues. These one-time General Fund investments do not carry forward to the 2023-25 current service level:

- $3.9 million for capitalization of the Water Well Abandonment, Repair, and Replacement Fund (HB 2145), and the Domestic Well Remediation Fund (HB 3092).
- $2.2 million to address legal backlog issues.
- $1.6 million for professional services contracts related to groundwater and dam safety.
- $1.5 million for equitable water access planning and BIPOC water needs.
- $1.7 million for stakeholder facilitation and water resource planning.
- $750,000 for grants to local governments to implement specific water projects.
- $650,000 for statewide water business case and drought vulnerability assessments.

One-time investments of American Rescue Plan Act (ARPA) funding totaling $20.5 million that were authorized in the 2021-23 biennium were phased out of the budget at the current service level, however, $15.9 million of that total remained unspent at the end of the 2021-23 biennium and expenditure authority was reestablished via the agency's primary budget bill, HB 5043.

The 2021-23 budget for the agency carried-forward $17.1 million in Other Funds expenditure limitation for proceeds of bonds issued in prior biennia and added an additional $68 million in Other Funds expenditure authority for bonds authorized to be issued by the end of that biennium. The current service level for the 2023-25 biennium carries-forward all the expenditure authority for 2021-23 biennium bond proceeds and $5.5 million for prior biennia bond proceeds, phasing out $11.6 million of that original $17.1 million. After adjusting for the phase-outs, these amounts are available from bond proceeds at the current service level for the following uses:

Purpose	Originally Authorized	Original Amount	2023-25 Remaining Unspent Funds
Water Supply Development (SB 839) Grants and Loans	2017-19	$15,000,000	$9,000,000
	2021-23	$30,000,000	$30,000,000
Feasibility studies for developing a water conservation, reuse, or storage project (SB 1069)	2017-19	$1,500,000	$1,500,000
Big Creek Dams Replacement	2021-23	$14,000,000	$14,000,000
Deschutes Basin Board of Control Piping Project	2021-23	$10,000,000	$5,000,000
Wallowa Lake Dam Rehabilitation Project	2021-23	$14,000,000	$14,000,000
Total		$84,500,000	$73,500,000

Policy Bills - HB 2010 was the vehicle carried several policy and programmatic initiatives that were a part of a package to address water availability, water quality, and drought in the 2023 legislative session. Funding for certain activities required in the measure was provided in the bill but was also funded with existing budgeted agency resources at the current service level, and funding and position authority provided in the agency's primary budget bill through the adoption of multiple policy packages. Specific items funded in HB 2010 were:

- The formalization of a place-based integrated water resource planning program and the establishment of the Place-Based Water Planning Fund for awarding grants to fund the costs of actions supporting place-based integrated water resources planning. The measure appropriated $2 million General Fund for deposit in the fund along with a corresponding $2 million Other Fund expenditure limitation for the expenditure of the monies in the fund. The establishment of a permanent, full-time position (0.75 FTE) was authorized to provide place-based planning grant support and support of other grant programs at a cost of $169,166 General Fund.

- Expansion of beneficial water reuse or recycled water programs and projects. $100,000 General Fund was appropriated to WRD to provide consultation services to DEQ for work related to address barriers to, and developing technical assistance to, support expanded beneficial water reuse or recycled water programs and projects. A limited-duration, part-time position (0.50 FTE) was established using the funding. The position will participate in research, creation of materials, and review of regulations.
- Increasing the frequency of grant and loan funding decisions for awards from the Water Supply Development Account to at least twice per year, instead of once per year. For the additional grant-related administration needed with this change, the bill authorized the establishment of three permanent, full-time positions (all 1.00 FTE), a Program Analyst to perform increased work related to additional grant cycles, an Accountant, and an Accounting Technician position to process and finalize grant agreements and distribute and track funds at a cost of $661,073 General Fund.
- Expanded use of monies in the Water Well Abandonment, Repair and Replacement Fund in cases of ground water contaminations. The measure provided $99,531 General Fund and authorized the establishment of a permanent, part-time Administrative Specialist position (0.50 FTE) for the program. Additional supporting resources were provided in the agency's budget bill for grant administration.
- The addition of one part-time Natural Resource Specialist position (0.50 FTE) to advise ground water stakeholders regarding voluntary agreements among ground water users drawing from the same ground water reservoir in the Greater Harney Valley Groundwater Area of Concern. Funding included in the measure of $254,870 includes position related costs and $100,000 for the costs of Department of Justice reviews of proposed agreements.

Budget Bill - To appropriately align budgeted expenditures to actual programmatic needs, the legislatively adopted budget incorporated agency-identified reduction options in the Technical Services and Director's Office programs. These actions reduced expenditures by $1,128,900 General Fund and eliminated an Evapotranspiration Hydrologist position (1.00 FTE) in the Technical Services division to align the agency's budget with planned work. The Department will not be using satellite-based evapotranspiration data as a screening tool for identifying illegal cannabis sites or installing additional sensors in cannabis growing areas to use this data for that purpose. The reduced funding also includes a reduction in unallocated or non-specified project funding for basin groundwater investigations. An additional reduction of $250,000 General Fund was made in the Director's Office division to remove excess outreach and communications funding. The reduction is associated with development of groundwater budgets and associated data development that was included in HB 2018 (2021).

Several policy packages were adopted by the Legislature in the agency's primary budget bill, HB 5043 as part of a package to address water availability, water quality, and drought in the 2023 legislative session. The following sections outline the purpose and funding of each of the packages.

Changes to statute regarding the development of the Integrated State Water Resources Strategy were made in HB 2010 making explicit the coordination and cooperation that the Water Resources Department is to make with other state agencies, federal agencies, and neighboring states, and identifying certain considerations to be made in the development of updates to the Integrated Water Resources Strategy. In addition to the resources provide in HB 2010, The adopted budget increased expenditure limitation in the Director's Office program by $271,011 General Fund and authorized the establishment of an ongoing full-time position (1.00 FTE) to assist with and monitor implementation of the Integrated Water Resource Strategy and its future updates, ensure coordination and integration among the participating state, federal, and local agencies, as well as educational and non-governmental organizations.

A total of $15.9 million Other Funds expenditure limitation was established agencywide for the expenditure of American Rescue Plan Act (ARPA) funds transferred to the Water Resources Department in the prior biennium for the completion of work begun in that biennium. For the Director's Office division, $9.3 million Other Funds expenditure limitation was established for five projects:

- $6 million for distribution to Umatilla County as a grant for the Ordinance water supply project.
- $1 million for deposit in the Water Well Abandonment, Repair and Replacement fund.
- $800,000 to continue support for place-based planning.
- $1 million for the water measurement cost share program.
- $500,000 to assist local governments in meeting fish passage requirements.

For the Technical Services Division, $5.1 million Other Funds expenditure limitation was established for two purposes:

- $2.6 million to support surface water and ground water data collection field equipment, gaging stations, observation wells, and other activities.
- $2.5 million for contracting professional engineering services to perform flood methodology and inundation assessments for dams and engineering analyses on dams.

For the water rights services division, $1.5 million Other Funds expenditure limitation was established and the authorization for eight limited-duration positions (4.00 FTE) was provided to allow the agency to continue to reduce water rights transaction processing backloads and support other fee-based services.

In addition to the ARPA funds expenditure limitation for transaction processing backloads, a one-time $500,000 General Fund appropriation was made to the Water Rights Services Division for the payment of Attorney General and Office of Administrative Hearings expenses related to reducing the current backlog of contested cases related to water rights applications and transfers.

Complementing and augmenting resources provided in HB 2010, the legislatively adopted budget increased expenditures by $432,969 General Fund and authorized the establishment of two positions (1.75 FTE). The first position will serve as a Water Supply Solutions Coordinator to support planning processes and advance plan implementations for the place-based planning program. This position augments the existing planning coordinator position in the program. The second position is a Grant Coordinator to address grants workload including place-based planning, Water Well Abandonment, Repair, or Replacement Fund, and other programs as needed.

The 2023 water and drought package also included funding to initiate an update to the Statewide Water Availability model. Multiple agency divisions are impacted as the agency will create a dedicated team to coordinate research, outreach, project management, and technical activities for the project, refine estimates of water availability, incorporate new data and analytical approaches into the modeling effort, and develop computer programs critical for updating the model using these new approaches. The update is expected to be completed over a six-year period with the goal of delivering accurate and up-to-date seasonal and monthly surface water budgets for basins throughout the state. A portion of this work will involve the development of IT applications and programs to replace existing tools built on outdated software languages. The expectation is that this significant IT investment will follow statewide policy regarding such investments. The individual program funding included:

- Technical Services Division - $1,301,488 General Fund and the authorization to establish an Assistant Surface Water Manager position (0.88 FTE), a Hydrographer position (0.79 FTE), a Research Hydrologist position (0.73 FTE), and a Data Scientist position (0.88 FTE). The total increase in General Fund is inclusive of $225,000 for U.S. Bureau of Reclamation Agrimet contract costs, $200,000 for stream gage maintenance, $10,000 for Parameter-elevation Regressions on Independent Slopes Model (PRISM) data, and $18,000 for Google data. The PRISM and Google expenditures are one-time only.

- Director's Office - $250,922 General Fund and the authorization to establish a Technical Services division Program Analyst position (0.88 FTE).
- Administrative Services - $286,043 General Fund and the authorization to establish a Software Engineer position (0.88 FTE) and a permanent part time Administrative Specialist position (0.25 FTE) to support the human resources and payroll sections.
- Field Services - $371,452 General Fund and the authorization to establish two Assistant Watermaster, Hydrotech positions (1.58 FTE).

Certain operational capacity issues are addressed in the 2023 water and drought package with the expansion of position authority in multiple divisions. The Field Services division is provided an appropriation of $236,578 General Fund and a Natural Resource Protection and Sustainability Manager position (0.88 FTE) as a Region Manager in the Klamath office. With this action, the agency intends to create a new region, splitting the south-central region which is currently managed out of the Bend office. General Fund was increased by $219,436 for the Director's Office division and the establishment of a Natural Resource Specialist, Basin Coordinator position (0.88 FTE) for support to Eastern and South-Central regions. This position will primarily deal with the Harney Basin and is in addition to the coordinators for the Willamette and Deschutes basins that were provided in agency's 2021 budget bill. The Director's Office division is also provided a $1.5 million General Fund appropriation to fund the establishment of a permanent, full-time Natural Resource Specialist position (1.00 FTE) dedicated to resolving water rights issues with the Confederated Tribes of the Umatilla Indian Reservation (CTUIR). This funding also includes ongoing support for settlement facilitation work with CTUIR and other complex basin issues.

Also, as a part of the 2023 water and drought package, the Legislature approved the issuance of Lottery revenue bonds for three purposes at the Water Resources Department. Authorization was provided to issue bonds with net proceeds of $60 million for deposit in the Water Supply Development Fund established under section 3, chapter 784, Oregon Laws 2013, commonly referred to as the SB 839 fund. Of that $60 million total, $10 million is for general purpose awards from the fund which are used for grants and loans to evaluate, plan, and develop in-stream and out-of-stream water development projects that repair or replace infrastructure to increase the efficiency of water use; provide new or expanded water storage; improve or alter operations of existing water storage facilities in connection with newly developed water; create new, expanded, improved, or altered water distribution, conveyance, or delivery systems in connection with newly developed water; allocate federally stored water; promote water reuse or conservation; provide streamflow protection or restoration; provide for water management or measurement in connection with newly developed water; and, determine seasonally varying flows in connection with newly developed water. The remaining $50 million, while retaining the purposes for which monies in the fund may be used as noted previously, is intended to be used to leverage federal funding associated with Natural Resource Conservation Service authorized watershed plans, U.S. Bureau of Reclamation WaterSmart grant recipients, or U.S. Environmental Protection Agency grant recipients that are eligible to be on the Oregon Department of Environmental Quality's Intended Use Plan; and to provide public benefits in each category of benefits described in ORS 541.673. For projects involving surface water rights where the project conserves water, the intent is that priority would be given to projects that legally protect a portion of the conserved water instream commensurate with the amount required under the approach described in ORS 537.470. This $60 million in net bond proceeds is in addition to the $39 million of unspent funding in the Water Supply Development Fund for which expenditure limitation was carried-forward as discussed in the current service level discussion above. The third item authorized Lottery bond issuance to produce net proceeds of $5 million for distribution as a grant to the City of West Linn for replacement of a water line crossing the Interstate 205 bridge (Abernathy Bridge).

Expenditure limitation of $65 million Other Funds was provided for the net bond proceeds and an additional $700,425 Other Funds expenditure limitation was included for the payment of bond issuance costs. Roughly half of the bonds for both the general Water Supply Development Fund projects and the irrigation modernization projects are scheduled to be issued in March of 2024 with the remaining half to be issued in March of 2025 along with the bonds for the Abernathy Bridge waterline replacement. $2.6 million Other Funds expenditure limitation for debt service was added for the March 2024 bond issuances.

The end of session omnibus budget reconciliation bill also included General Fund appropriations totaling $11.2 million to the Water Resources Department for the purpose of funding grants to entities for water supply projects as part of the 2023 water and drought package. The individual recipients, projects, and amount of funding provided are:

- City of Beaverton, South Cooper Mountain Non-Potable (Purple Pipe) Project, $2,500,000.
- North Unit Irrigation District, Infrastructure Modernization Project, $2,000,000.
- Deschutes River Conservancy, Conserving Water Through Piping and Improved Monitoring and Measurement, $1,500,000.
- Rogue River Irrigation District, Fourmile Creek Project, $1,530,000.
- City of Monroe Water, Pre-filter and Automated Controls Infrastructure.
- $1,500,000; City of St. Paul, Water Reservoir Improvement Project, $636,000.
- City of Bay City, Earthquake Isolation Valves for Water Reservoirs, $225,000.
- City of Halsey, New Well, $300,000.
- City of Sodaville, Jackson Well Conversion to Municipal Use, $370,000.
- City of Falls City, Water Main Line Replacement Project, $591,750.

The final 2023 water and drought package investment added a one-time General Fund appropriation of $100,000 for the pass through of funding to Portland State University, Oregon Consensus, to continue current facilitation of the Tribal Water Task Force. This supports engagement between Oregon’s nine federally recognized Tribes and the Water Resources Department on issues related to water supply, watershed management, and water distribution, including matters related to water rights held or claimed by Tribes.

OREGON WATERSHED ENHANCEMENT BOARD

Analyst: McDonald

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	52,526,718	--	35,485,333
Lottery Funds	88,806,193	94,776,334	106,626,707	115,133,838
Other Funds	4,214,991	29,863,984	2,359,071	39,214,873
Federal Funds	32,063,007	48,251,444	34,812,700	57,035,037
Total Funds	**$125,084,191**	**$225,418,480**	**$143,798,478**	**$246,869,081**
Positions	36	46	30	44
FTE	41.00	42.57	30.00	42.76

<u>Overview</u>

The Oregon Watershed Enhancement Board (OWEB) was established in 1999 by the legislation implementing Ballot Measure 66, which established the framework for the full allocation of the measure's constitutionally dedicated lottery revenue. Ballot Measure 66, passed by the voters in November 1998, amended Section 4, Article XV of the Oregon Constitution to dedicate 15% of net lottery proceeds to be split between state parks and salmon, watershed, and habitat restoration. Ballot Measure 66 provisions were substantially revised by Ballot Measure 76, which passed in November 2010, and reauthorized the dedication of 15% of net lottery proceeds to state parks (7.5%) and fish, wildlife, and habitat conservation (7.5%). The Ballot Measure 76 reauthorization changed the way the dedicated Lottery Funds could be spent. Under the old dedication, the Lottery revenues were divided into two parts, 65% for capital expenditures and 35% for operations expenditures. Under the reauthorization of this dedication, 65% is now restricted to grants for non-state agencies. Only the other 35% can be used to support state agency programs and state agencies are prohibited from directly receiving any of the 65% dedicated to grants. Previously, state agency programs could be funded under either the capital or operations funding split if it was a qualifying expenditure.

The Oregon Constitution also contains a provision that reallocates the dedicated Lottery Funds in the Natural Resources subaccount in the event that the net Lottery revenues deposited in the Parks and Natural Resources fund increases by more than 50% above the amount deposited in the 2009-2011 biennium. When this criterion is met, the allocation of lottery proceeds for fish and wildlife, watershed and habitat protection, is required to move from a split of 65% and 35% for grants and operations to a split of 70% and 30%. This trigger was met in the 2021-23 biennium and is projected to do so again in the 2023-25 biennium. Since the Legislatively Approved budget for 2021-23 did not account for this possibility, there were no monies specifically set aside from the funds allocated to agency operations that could be reallocated to grants. This results in a shortfall of lottery revenues for grants of roughly $6.8 million in the 2021-23 biennium that must be made up for in the 2023-25 biennium from amounts allocated to agency operations. This problem is further exacerbated by the fact that fiscal prudence requires that the 2023-25 biennium budget be built to accommodate the 70% / 30% split since the forecasted lottery revenues for the upcoming biennium are also anticipated to exceed the constitutional threshold. What this means is that the 2023-25 biennium funding for operations is reduced by an estimated $6.9 million and from that lower amount the 2021-23 shortfall must be made up, producing a $13.7 million swing in funding from operations to grants in the 2023-25 budget.

OWEB consists of 11 voting members, including five voting members from state natural resource agency boards and commissions and six public members appointed by the Governor and confirmed by the Senate. OWEB is also authorized to include up to seven additional non-voting members, including the director of Oregon State University's agricultural extension service and representatives from six federal land and natural resource agencies.

OWEB distributes funding for projects, offers technical assistance on grant proposals, and coordinates with other state natural resource agencies.

OWEB is designated as the single state agency charged with administration of the salmon and watershed portion of the dedicated lottery revenues required under Ballot Measure 76. In addition to funding the operational costs of OWEB, a portion of lottery revenues used to support agency programs is allocated to other state agencies to fund specific activities related to protecting species, habitats, and watersheds. The following table shows the allocation of all Measure 76 Lottery Funds forecasted to be received by OWEB in the 2023-25 legislatively adopted budget.

2023-25 Measure 76 Lottery Fund Allocations

	Operations	Grants	Grants Reserve
Department of Agriculture	$8,859,764		
State Police / Fish and Wildlife Enforcement	$9,395,685		
Department of Fish and Wildlife	$6,818,367		
Department of Environmental Quality	$4,908,369		
Oregon Watershed Enhancement Board	$9,228,766	$105,942,154	$6,873,729

Revenue Sources and Relationships

Total lottery revenues are forecasted to stabilize in the first half of the 2023-25 biennium with only a slight increase over the 2021-23 biennium. Revenues from offering sports betting are now part of the lottery funds revenue stream. These revenues are subject to constitutional distributions from the Economic Development Fund with the remaining funds dedicated to supporting public employee retirement costs.

Federal Funds are derived primarily from the National Oceanic and Atmospheric Administration – Fisheries, an agency within the U.S. Department of Commerce, which administers the Pacific Coastal Salmon Recovery Fund (PCSRF). PCSRF monies were first authorized by Congress in 2000 and are for salmon habitat restoration, stock enhancement, and research. The Legislature assumed about $35 million Federal Funds from PCSRF would be available for expenditure in 2023-25. Almost $10 million of the PCSRF grant funds total is transferred to the Oregon Department of Fish and Wildlife to support programs that protect and enhance native fish species. Other Funds are also received from the Department of Transportation for one-half of the proceeds from the sale of salmon license plates, from various non-governmental sources in the form of donations and grants, and monies from the Department of Forestry for a grant program administered by OWEB.

Budget Environment

While Lottery revenues are forecasted to slightly increase over the 2021-23 biennium, cost increases experienced by the programs that rely on constitutionally dedicated Lottery Funds for support, such as employee compensation, mean that almost all the 30% of Ballot Measure 76 Lottery Funds allowable for operations expenditures revenues must be used to support existing programs. This leaves very little ability for the agency to take on new programs or projects without funding from other sources.

Legislatively Adopted Budget

The adopted budget for OWEB is divided into two program areas, Grants and Operations. The 2023-25 legislatively adopted budget for Operations included a total of $1.3 million General Fund, $9.2 million Lottery Funds, $1.2 million Other Funds, $4.4 million Federal Funds, and 44 positions to support the administration of the agency and its grant programs. The remaining $230.7 million (all funds) is dedicated to grant funding.
The all-funds legislatively adopted budget of $246.9 million is a 9.5% increase over the 2021-23 legislatively approved budget.

Current Service Level - Beginning with the 2021-23 Legislatively Approved Budget, adjustments are made both in the base budget and through essential budget packages to arrive at the current service level (CSL) budget for the 2023-25 biennium. The current service level contains the cumulative authorized expenditure and staffing levels for ongoing program activities and specific limited-duration activities. There are automated adjustments to the base budget that account for standard inflationary factors, changes to personal services for roll-up costs of permanent positions, elimination of limited-duration positions and associated costs, anticipated debt service, and non-limited expenditure authority. Essential package adjustments include the phase-in of ongoing programs that were not fully budgeted in the prior biennium, phase-out of one time or expiring expenditure authorizations, extraordinary inflation, technical adjustments, and revenue shortfall adjustments.

The current service level budget for the Watershed Enhancement Board represents a $34 million, or 19.1% reduction from the legislatively adopted budget and a $81.6 million, or 36.2% reduction from the legislatively approved budget for 2021-23. $52.5 million in one-time General Fund investments were made in the 2021-23 biennium including:

- $11.9 million for drought relief and mitigation
- $25.6 million for wildfire recovery and restoration
- $10 million fund capitalization for water acquisition grants
- $5 million General Fund to capitalize the Oregon Agricultural Heritage Program (OAHP) fund

All these one-time investments were phased-out of the budget at the current service level, however, funding for committed, but not fully drawn upon General Fund grant awards was reestablished via the agency's primary budget bill, SB 5539.

One-time Other Funds expenditure limitation that was provided in 2021-23 that is associated with the General Fund capitalization of the OAHP fund and capitalization for water acquisition grants was phased-out at the current service level. Another $12 million Other Funds and $15 million Federal Funds expenditure limitation for grant funds carried forward from the 2019-21 biennium to the 2021-23 biennium budget were also removed.

Policy Bills - In addition to specified investments made in the end of session omnibus budget reconciliation bill, SB 5506, the legislature adopted policies and provided associated funding in two vehicles that impacted the budget of the Watershed Enhancement Board.

HB 3409 established statewide policy and provided financial support for energy efficiency and climate-related initiatives. The measure created the Natural and Working Lands Fund (NWLF) as a master fund to be used to distribute monies to The Agriculture Natural Climate Solutions Fund, Forestry Natural Climate Solutions Fund, Watershed Natural Climate Solutions Fund, and Fish and Wildlife Natural Climate Solutions Fund which are also established by the measure and continuously appropriated to ODA, ODF, OWEB, and ODFW respectively. OWEB will act both as the fiscal agent for the Natural Working Lands Fund, and as a recipient of monies allocated from the NWLF to the Watershed Natural Climate Solutions Fund as directed by the Global Warming Commission. A one-time $10 million General Fund appropriation was made to OWEB for deposit into the Natural and Working Lands Fund. Expenditure limitation of $203,516 Other Funds was provided to OWEB to establish a limited duration position for program administration and $9,796,484 Other Funds to facilitate the allocations from the NWLF to the other funds established in the measure.

HB 2010 was the vehicle that carried several policy and programmatic initiatives that were a part of a package to address water availability, water quality, and drought in the 2023 legislative session. Funding for certain activities required in the measure was provided in the bill but was also funded with existing budgeted agency resources at the current service level, and funding and position authority provided in the agency's primary budget bill through the adoption of multiple policy packages.

HB 2010 directed OWEB to establish a Source Drinking Water Protection program to provide grants of up to $3 million to water suppliers to protect, restore, or enhance sources of drinking water. These grants can be used to acquire lands; enter into covenants, easements, or similar agreements; or to repay loans used to finance projects that protect, restore, or enhance lands for the benefit of a source of drinking water. In conjunction with the development of the program, the Legislature established the Community Drinking Water Enhancement and Protection Fund and appropriated $1 million to OWEB to deposit in the fund. Corresponding expenditure limitation for the issuance of grants from the fund of $1 million Other Funds was also provided. The measure also appropriated $247,049 General Fund for one full-time position and administrative costs of the grant program.

Changes to statute regarding the development of the Integrated State Water Resources Strategy were made in HB 2010 making explicit the coordination and cooperation that the Water Resources Department (WRD) is to make with other state agencies, federal agencies, and neighboring states, and identifying certain considerations to be made in the development of updates to the Integrated Water Resources Strategy. The measure added OWEB to the list of agencies WRD is to work with in developing an integrated state water resources strategy and provided $77,940 General Fund for OWEB to support 0.25 FTE of a position to assist with this work.

Increased expenditure limitation of $4.1 million Other Funds was approved for the Oregon Watershed Enhancement Board in the end of session omnibus budget bill, SB 5506, for the expenditure of net Lottery revenue bond proceeds deposited in the Community Drinking Water Enhancement and Protection Fund, and bond issuance costs. The fund and associated program were established by House Bill 2010 as a part of the 2023 water and drought package to provide grants to water suppliers serve rural communities, communities experiencing lower incomes, or in low population areas to protection, restore, or enhance sources of drinking water.

Budget Bills - There are two bills that are considered the primary budget bills for the Watershed Enhancement Board. The operational budget and allocation of operational funding for state agency programs at other natural resource agencies is contained in SB 5539. The budget for the expenditure of Measure 76 Lottery Funds dedicated to grants is contained in SB 5540, which allows for a six-year time frame for expenditure of the grant funding. The majority of these grant awards are drawn down on a reimbursement basis. The six-year appropriation provides sufficient time for the projects to be completed and grant awards fully distributed.

A somewhat technical adjustment was included in the budget for the Watershed Enhancement Board to allow for addressing span of control issues. Expenditure limitation of $96,412 Lottery Funds and $6,253 Federal Funds was provided to finance the reclassification of three existing positions to serve in managerial capacities. This action is intended to align program management and oversite with a sustainable structure. The agency previously had only two management positions, including the director and deputy director.

The 2023-25 budget increased expenditure limitation by $8.4 million Lottery Funds in the Grants program. Of the total, $6.8 million is to account for the reallocation of funding deposited in the Natural Resources subaccount of the Parks and Natural Resources Fund during the 2021-23 biennium as required under article 14, section 4b(2), of the Oregon Constitution, moving 5% of total biennial revenues from program operations to grants. The remaining $1.6 million accounts for adjustments to the current service level for the May 2023 revenue forecast and the addition of expenditure limitation for previously unallocated fund balances. Expenditure limitation of $169,509 Other Funds was provided to support the establishment of a limited-duration Administrative Specialist position to support non-measure 76 lottery funded grant programs agency wide.

For the 2021-23 biennium, one-time funding was included in the OWEB budget to support wildfire recovery grants. These include $10.75 million General Fund for wildfire recovery riparian and upland restoration grants, $5 million General Fund for wildfire recovery floodplain restoration/reconnection grants, and $5 million for a pass-through grant to the Eugene Water and Electric Board to pay for restoration activities in the McKenzie River basin. An additional $5.2 million General Fund appropriation was made to expand wildfire recovery grants for on the ground actions supporting the recovery of natural resource lands impacted by the 2021 wildfire season. In addition to the wildfire recovery grant funding, the 2021-23 biennium budget also included General Fund appropriations totaling $11.6 million to address drought conditions. These General Fund supported grants were not fully expended in the 2021-23 biennium, therefore the Legislature adopted two policy packages as part of the 2023-25 biennium budget to re-appropriate the unexpected funding and to support the administration of the grant programs.

The Operations division was provided a one-time appropriation of $1 million General Fund and the establishment of three limited-duration positions (3.00 FTE) for administration of emergency wildfire response and drought resiliency grant funding. The Legislature also established one-time General Fund appropriations totaling $23,160,334 in the Grants division to allow the agency to distribute committed grant awards for emergency wildfire and drought response that were made in the 2021-23 biennium. Of the total $15.5 million is for 2020 fire season recovery grants, $4.25 million is for 2021 fire season recovery grants, and $3.45 million is for 2021 drought resiliency grants. The appropriations are for the estimated amounts of funding that was projected to remain unexpended for these grant programs at the end of the 2021-23 biennium. It is the intent of the Legislature that total expenditures for these grant programs over both biennia do not exceed the original funding provided in the prior biennium.

The legislatively adopted budget provided Other Funds expenditure limitation of $226,011 to establish a limited-duration position for administration of the Oregon Agricultural Heritage Program. A $5 million General Fund appropriation was made during the 2022 legislative session for deposit in the Oregon Agricultural Heritage Fund for the purpose of making grants for a variety of activities including the funding of conservation easements and the provision of technical assistance to preserve working agricultural lands. Program administration is limited to 12% of the amount deposited in the fund. OWEB had awarded $4.2 million of the $4.4 million available for grants, however, these grants were not fully distributed by the end of the 2021-23 biennium. The awarded grant close outs are anticipated to be made before the end of 2024 except for one technical assistance grant that is anticipated to be closed out by the end of the 2023-25 biennium. For distribution of the grants in the 2023-25 biennium, the budget increases Other Funds expenditure limitation by $4.2 Million.

For the 2023-25 biennium, the Legislature provided Other Funds expenditure limitation of $556,208 and authorized the establishment of two limited-duration positions for administration of funding provided to the agency in the 2021-23 session for the provision of grants for water acquisition projects. These grants support the planning and implementation of the acquisition of an interest in water that results in protected instream flows. A General Fund appropriation of $10 million was made to the agency for this purpose in the prior biennium. The expenditure limitation in this package allows for the expenditure of those funds that were deposited in the agency's flexible incentives account and covers that portion of expenses related to program administration. For the Grants program, $9 million Other Funds expenditure limitation was provided on a one-time basis of for the expenditure of those funds that were deposited in the agency's flexible incentives account and covers that portion of expenses related to the grant funding distributions.

The 2023-25 budget includes one-time increases in expenditure limitation of $20.9 million Federal Funds and $572,864 Other Funds for the expenditure of committed grant awards from previous biennia and to accept and administer new federal dollars in the 2023-2025 biennium. Federally funded projects include coastal wetland projects funded with US Fish and Wildlife Service funds; restoration and monitoring projects funded with Pacific Coast Salmon Recovery funds, restoration projects funded with Bureau of Land Management, Good Neighbor Authority program funds, and Farm Bill and technical assistance projects funded by the USDA Natural Resource Conservation Service. Other funded projects include projects funded with Salmon license plate dollars, monitoring grants funded by the Pacific States Marine Fisheries Council, and forest management planning projects funded by Forest Health Collaborative grants.

Associated with the increased federal funds grant revenues, the Legislature provided Federal Funds expenditure limitation of $1.3 million and established four limited-duration positions in the Operations program for the administration of federally funded programs. The additional limitation is to expend funding received through existing cooperative agreements with the U.S. Department of Agriculture (USDA), National Oceanic and Atmospheric Administration, and the U.S. Bureau of Land Management (BLM). Specific authorizations included:

- $350,000 for the establishment of an Operations and Policy Analyst, climate coordinator position and for support of indirect cost recoveries to support USDA, Natural Resource Conservation Service climate-smart conservation projects.
- $256,890 to fund a Natural Resources Specialist, program coordinator position and for support of indirect cost recoveries, for USDA, Natural Resource Conservation Service technical assistance grants for conservation programs.
- $327,864 for the establishment of a limited-duration Natural Resource Specialist position to coordinate work that supports tide gate repair and replacement in coastal communities of Oregon. The position is supported by existing federal revenues.
- $251,678 for the establishment of a limited duration Natural Resource Specialist position to serve as a Historic Preservation Specialist. The position is established to assure compliance with new National Historic Preservation Act requirements associated with OWEB's federal Pacific Coast Salmon Recovery funding from National Oceanic and Atmospheric Administration Fisheries.
- $116,552 expands position authority for existing positions and includes cost recoveries to support restoration projects through the BLM, Good Neighbor Authority program. Additional grant funds for the Good Neighbor Authority program were included in the Grants program.

Other Funds expenditure limitation of $7 million was established on a one-time basis to allow the agency to expend grant funding that may be received by the agency from PacifiCorp and Idaho Power during the upcoming biennium. The funding from PacifiCorp is for the purpose of providing grants for water quality improvements in the Klamath River and is associated with the upcoming dam removal process on the river due to the 2016 Klamath Hydroelectric Settlement Agreement. The funding from Idaho Power is to provide grants for water quality and salmon habitat improvements and are related to the relicensing of the Hells Canyon Dam complex.

TRANSPORTATION

PROGRAM AREA

DEPARTMENT OF AVIATION

Analyst: Ruef

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	3,888,794	--	2,448,406
Other Funds	13,218,939	22,999,626	23,585,073	25,414,615
Federal Funds	7,796,670	12,181,465	4,164,895	20,720,214
Total Funds	**21,015,609**	**39,069,885**	**27,749,968**	**48,583,235**
Positions	16	16	16	16
FTE	15.59	14.60	15.59	15.33

Overview

The Oregon Department of Aviation manages and coordinates the state's general aviation system, including recreational, business, and emergency response flying. The Department advocates for economic growth, infrastructure improvement, and safe operation of aviation in Oregon. The Department manages a large-scale pavement preservation program for the state's 66 paved public use airports, and also owns, manages, and operates 28 public use airports. The seven-member State Aviation Board, appointed by the Governor, represents aviation interests from the public and private sectors and provides policy direction to the Department.
Key responsibilities of the Department include:

- Develop and implement the Oregon Aviation Plan and related policies.
- Provide technical assistance on airport planning and development.
- Administer the federal General Aviation Entitlement Grant and Pavement Maintenance Program
- Register aircraft.
- Conduct safety inspections on state-owned and other Oregon public airports.
- Maintain 28 state-owned airports to federal and state safety standards.

Revenue Sources and Relationships

The Department is supported almost entirely by Other and Federal Funds. Other Funds revenue is comprised of system user taxes and fees, notably taxes on jet fuel and aviation gasoline (avgas), aircraft registration fees, and aircraft dealer license fees. Federal Funds are received from the Federal Aviation Administration (FAA) via the Airport Improvement Program for state system-wide planning, safety inspections, and planning and construction for state-owned airports.

Total estimated revenue for the 2023-25 biennium is $44.3 million, with 48% coming from taxes and fees, 47% from federal funds, and 5% from General Fund. Estimated revenue for the biennium represents a 55.8% increase compared to 2021-23, which is largely due to $11.3 million in federal Infrastructure, Investment and Jobs Act (IIJA) funding for obstruction and runway repairs at Aurora, Chiloquin, Cottage Grove, and Lebanon state owned airports. This more than doubles federal funding for state airport capital improvement projects compared to previous budgets.

A majority of the agency's Other Funds revenue comes from avgas taxes (59%) and aircraft registration fees (28%). The aviation fuel tax revenue, generated through a 3 cent per gallon tax on jet fuel and an 11 cent per gallon tax on aviation gasoline, serves three primary purposes in Oregon's aviation system. Firstly, a portion of the revenue, including about half a cent per gallon of Jet Fuel Tax and roughly five cents per gallon of Avgas tax, supports the Operations division, overseeing the administration and maintenance of 28 public use airports, along with providing core government services such as airport planning and inspections. Secondly, approximately half a cent per gallon of Jet Fuel Tax and around four cents per gallon of Avgas tax exclusively fund the Pavement Maintenance Program, a state-funded initiative focused on cost-effective pavement preventative maintenance for the state's 67 paved public use airports. Lastly, two cents per gallon of both Jet Fuel Tax and Avgas tax contribute to the Aviation System Action Program, which includes the Critical Oregon Airport Relief program, assisting airports with FAA grants, emergency preparedness, and economic development, and the State Owned Airports Reserve program, funding safety improvements and infrastructure projects at state-owned public use airports.

Revenue from Aircraft Registration fees serve two purposes. First the revenue provides for the agency's match dollars for all FAA Airport Improvement Grants for General Aviation Entitlement and for Capital Construction projects at the state's twelve federally funded airports. The FAA sponsor match amount is typically 10% of the total project costs. The second purpose for aircraft registration revenue is to help fund search and rescue activities in Oregon. This includes helping to fund a Search and Rescue Coordinator position at Oregon Emergency Management and also to reimburse actual search fuel costs to counties.

Additionally, the 2023-25 legislatively adopted budget includes $2.4 million of one-time General Fund for the Cape Blanco airport runway replacement and electrical system upgrades project. This project was funded in the 2022 Legislative Session through the Rural Infrastructure Package (HB 5202) but is not expected to be completed by the end of the 2021-23 biennium. Project completion is expected by the summer of 2024.

Budget Overview

The COVID-19 pandemic had a significant impact to aircraft fuel consumption and the associated tax revenues that funds approximately half of the agency's budget. Fuel tax revenues decreased by 40% in 2020. Since then, revenues have improved year over year but still fall short of pre-pandemic levels and are not projected to keep up with inflationary pressure. As of July 2023, aviation fuel tax revenue stands at 93% of pre-pandemic levels and is not expected to fully rebound in the foreseeable future.

The 2021 Oregon Legislative Assembly passed legislation to help stabilize the agency's revenue by making a 2% aviation fuels tax increase established in 2015 (HB 2434) permanent and approved the establishment of a tall structure fee (SB 38). While this has had a positive impact on the agency's operational revenues, the agency continues to struggle with revenue levels that allow for future investments. The agency's long-term plan involves finding sustainable revenue sources to maintain the department and prevent the degradation of state-owned airport infrastructure.

Airport capital construction projects have increased significantly due to additional federal FAA grant funds. For the 2023-25 biennium, the agency is able to leverage $1.3 million in aircraft registration fees with $11.3 million in federal IIJA funding for obstruction and runway repairs at Aurora, Chiloquin, Cottage Grove, and Lebanon state owned airports. This more than doubles federal funding for state airport capital improvement projects compared to previous budgets.

Legislatively Adopted Budget

The Department of Aviation's legislatively adopted budget is $48.6 million, which is a $9.5 million, or 24.4%, increase over the 2021-23 legislatively approved budget. The budget increase is largely due to the additional federal FAA grant funds for airport capital construction projects and the one-time General Fund project at Cape Blanco mentioned above. Inflationary factors also contribute to the budgetary increase.

DEPARTMENT OF TRANSPORTATION

Analyst: Ruef

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	63,541,007	75,871,173	16,930,280	31,430,280
Lottery Funds	114,763,893	121,932,579	136,144,810	136,718,150
Other Funds	3,700,468,793	5,578,493,499	4,824,267,996	5,724,452,660
Other Funds (NL)	1,371,004,118	18,000,000	18,000,000	18,000,000
Federal Funds	101,132,551	218,840,626	138,699,300	191,089,743
Federal Funds (NL)	20,029,515	20,679,380	18,764,647	18,764,647
Total Funds	**$5,370,939,877**	**$6,033,817,257**	**$5,152,807,033**	**$6,120,455,480**
Positions	4,858	4,936	4,769	4,913
FTE	4,682.06	4,755.80	4,657.65	4,791.70

Overview

The mission of the Oregon Department of Transportation (ODOT) is to provide a safe and reliable multi-modal transportation system that connects people and helps Oregon's communities and economy thrive. To do this, ODOT develops, maintains, and manages Oregon's transportation system through programs related to Oregon's system of highways, roads, and bridges; bicycle and pedestrian facilities; passenger and freight railways; public transportation services; transportation safety; driver and vehicle licensing; and motor carrier regulation.

The state highway system is over 7,980 miles, 10% of Oregon's 79,799 miles of roads. The agency's activities are guided by a comprehensive set of long-range multi-modal transportation system plans developed in coordination with local and regional governments, transportation agencies and the public. The plans cover highways, mass transit, ports, freight and passenger rail, bike lanes, and pedestrian needs.

These plans help direct investment of transportation funding through various programs. All federally-funded transportation projects as well as many state-funded projects are included in the Statewide Transportation Improvement Program (STIP), which is developed and maintained under the direction of the Oregon Transportation Commission, and updated every three years through a public hearing process. Some highway projects included in the STIP are identified through legislative actions. The most recent transportation package to pass the Legislature – HB 2017 (2017) – identified specific highway fund-eligible projects totaling $647 million and authorized an initial $480 million in highway user revenue bonds to fund projects.

The five-member Oregon Transportation Commission (OTC) is appointed by the Governor and the Department's director is appointed by the OTC and confirmed by the Senate. Historically, ODOT has focused primarily on constructing and maintaining highways. More recently, however, with designated Other, Federal and Lottery Funds, it has broadened its focus to include alternatives to automobile transportation in congested areas and otherwise underserved areas.

Revenue Sources and Relationships

More than 93% of ODOT's available revenues are budgeted as Other Funds. ODOT's largest sources of revenue are motor fuel taxes ($1.4 billion), driver and vehicle licenses and fees ($1.1 billion), and weight-mile taxes ($967.3 million). Most of these revenues are constitutionally dedicated to the State Highway Fund and shared between ODOT, counties ($753 million), and cities ($495 million).

Federal Funds from the Federal Highway Administration (FHWA), which are matched with state funds for highway projects and are also budgeted as Other Funds, amount to $2.5 billion of available revenue. These dollars consist of ODOT's congressional funding allocation from the Infrastructure Investment and Jobs Act (IIJA), which will total $1.95 billion over the next five years. Roughly half that amount will go to highways and special programs -- such as electrification, carbon reduction, and bridges -- with $250 million to be utilized for public transportation. Flexible funding in the amount of $412 million was approved for special projects and priorities identified by the Oregon Transportation Commission, as follows:

Program Name	Description	Amount
Enhance Highway	Projects that enhance safety, reduce congestion, and promote economic development; items in the STIP that didn't have all phases funded. This allows the latter to have all phases funded and completed. (Aurora/Donald exit, US 97 through Bend, etc.)	$50 million
Fix It	Preservation projects for bridges, pavements, and other assets.	$75 million
Great Streets	State highway improvements that help with pedestrian and economic development needs.	$75 million
Safe Routes to School	Improvements that enhance safety for elementary and middle school students biking or walking to school	$30 million
Innovative Mobility Pilot	Competitive grants for certified non-profits, local agencies, transit agencies, metropolitan planning organizations, and tribes that focus on community daily travel needs. ODOT was directed by the Commission to find existing program funds to supplement the IIJA funds allocated for this.	$10 million
Local Climate Planning	Updating local transportation plans to reflect how to achieve reduced greenhouse gas emissions goals. Helps subsidize the cost to local entities of these plan revisions.	$15 million
Maintenance & Operations	Highway maintenance including patching, snow plowing, and other activities that keep roads safe and open to traffic.	$40 million
ADA Curb Ramps	Funding to ensure compliance with a settlement regarding compliant curb ramps; at least 27,000 need to be replaced. This amount funds an estimated 1/3-1/2 of assumed number that need replacing.	$95 million
Match for Competitive Grants	A fund swap to make some of the programs traditionally funded through state dollars to shift to IIJA, freeing up state highway fund resources to leverage other federal (grant and formula) resources for a variety of programs, such as wildlife crossings, bike/ped, and congestion relief projects.	$40 million
Business & Workforce Development	To meet equity goals and expand pool of contractors and workers.	$7 million
Total		**$412 million**

ODOT has the authority to issue revenue bonds, and anticipates bonding against highway funds ($360 million) to support named projects in HB 2017 (2017), including the following: financial analyses, data gathering, and preliminary design of a potential tolling program; I-205 improvements; and potentially Rose Quarter improvements. An estimated $300 million in revenue will come from the issuance of Grant Anticipation Revenue Vehicles (GARVEE bonds), which would be issued in anticipation of and repaid by expected federal grant revenue, as a short-term financing mechanism for court mandated Americans with Disabilities Act improvements to curb ramps along ODOT rights of way. The 2023 Legislature also approved $250 million in General Obligation bonds associated with anticipated expenditures for the Interstate Bridge Replacement project.

For 2023-25, total revenue from all sources is estimated to be $6.2 billion. Of this amount, $1.4 billion is projected to transfer to other state agencies and local governments, leaving $4.8 billion available for expenditure on state transportation and programs.

The Transportation Operating Fund (TOF) was established by the 2001 Legislative Assembly (HB 3882) to pay the expenses of statutorily required or authorized activities that may not be funded with State Highway Fund monies. TOF revenues are un-refunded gas taxes paid for non-road use fuel, such as for lawnmowers. ODOT anticipates $36.6 million to be transferred into the TOF in 2023-25, building on $21 million in carryover from the 2021-23 biennium; expenditures from the fund are anticipated to total $53.3 million, and $6.6 million in TOF revenue will be transferred to the Public Transportation -Transit division.

Federal Funds that are budgeted as Federal Funds are allocated to Oregon for traffic safety, railroad projects and contracts, transit, and motor carrier safety; the legislatively adopted budget amounts to $209.9 million Federal Funds for 2023-25.

Lottery Funds are used to make debt service payments on rail and transportation infrastructure projects funded with the proceeds of lottery-backed bonds. This financing method is used for projects that are ineligible for funding through the constitutionally dedicated State Highway Fund. Non-limited funds – both Other Funds Non-limited and Federal Funds Non-limited – are used for debt service payments and loans from the Oregon Transportation Infrastructure Bank. Of the $135.9 million in Lottery Funds budgeted for the 2023-25 biennium, $135.3 million are for debt service, and $650,000 are associated with Veterans' Transportation grants. Lottery bond proceeds account for $45.5 million in Other Funds revenue for local projects and associated cost of issuance.

Of the Department's $31.4 million General Fund appropriation, $16.9 million pays for debt service on the now completed State Radio Project and highway safety projects approved in 2015. Another $14.5 million is associated with specific projects identified in SB 5506, the end of session omnibus budget reconciliation bill. Lottery Funds are associated with debt service ($136 million) and veterans transportation grants ($650,000).

Budget Environment

A longstanding gap between agency operating expenditures and available State Highway Fund revenue is expected to require ODOT to closely monitor expenditures; ODOT anticipates its State Highway Fund revenue to drop below projected expenditures in 2026 and is preparing for internal operating reductions of approximately 5% from legislatively adopted budget amounts in many agency divisions. The gap is due to escalating prices for materials and personnel, and decreasing fuel tax revenue because of higher-efficiency vehicles. Absent a larger transportation funding package or changes in policy (such as implementing a mandatory road usage charge for electric vehicles, or other forms of revenue diversification), ODOT anticipates operations and maintenance reductions of another 7-10% in the 2025-27 biennium. While transportation funding packages have been approved in the past (most recently in 2017), they have been dedicated primarily to new projects; HB 2017 designated 6% of new revenue generated to operations and maintenance. Examples of actions ODOT has already taken and will continue to take to manage the situation include curtailing activities, shifting costs to dedicated state and revenue resources where possible, and holding open vacancies in some divisions and activities.

The Governor called for a two-year delay in the implementation of a planned Portland-Metro area tolling program authorized under HB 2017, which would have provided revenue to finance large improvement projects and maintenance of area infrastructure. The Department will continue to collect data and design a tolling program within its Urban Mobility Office, in anticipation of a go-live date in 2026, barring citizen initiative petition or legislative action. A Joint Committee on Transportation Special Subcommittee On Transportation Planning was appointed to evaluate information and consider issues associated with transportation funding options including tolling and other forms of revenue diversification, such as road usage charges.

During the 2021-23 interim, ODOT worked closely with the Legislative Fiscal Office and Chief Financial Office to more closely align the agency's budget structure with its operations and management; the 2023-25 legislatively adopted budget reflects these structural changes. Some programs and activities which had been budgeted separately in previous biennia have now been absorbed into other divisions.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Department of Transportation totals $6.2 billion, which is $86.6 million, or 1.4%, more than the 2021-23 legislatively approved total funds budget. The budget supports 4,913 positions (4,791.70 FTE).

Major features include:

- General Fund for various local transportation projects.
- Lottery Funds expenditure limitation for administration of Rural Veteran Healthcare Transportation grants to local transit providers.
- Capital improvements for the South Coast Region Seismic Ready maintenance station facility.
- Local transportation projects funded with lottery bond proceeds.
- $250 million in General Obligation Bonds - representing one quarter of Oregon's $1 billion commitment - to fund costs associated with the Interstate Bridge Replacement, along with additional positions and Other Funds expenditure limitation related to the next phase of the project, including project permitting, right of way, pre-construction, and early construction expenditures.
- Other Funds expenditure limitation to support Urban Mobility Strategy efforts in the Portland-Metro region.
- Expenditure limitation and position authority to support increased project volume and implementation of new programs funded through the agency's congressional funding allocation from the Infrastructure Investment Job Act.
- Fee ratification for license plate manufacturing costs, and fee increases for Department of Motor Vehicle services to more closely reflect costs of delivering services.
- Carry Forward of Other Funds expenditure limitation related to completion of the Newberg Dundee Bypass project.
- Reclassification of positions that are largely self-financed.
- State-wide adjustments to incorporate anticipated employee labor contract agreements and changes to state assessments that fund state-wide services such as those provided by the Department of Administrative Services, Department of Justice, and the Office of Administrative Hearings.

Loan and Grant Programs

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	-	7,000,000	-	-
Other Funds	-	7,000,000	7,000,000	7,000,000
Other Funds (NL)	7,197,911	18,000,000	18,000,000	18,000,000
Total Funds	**$7,197,911**	**$32,000,000**	**$25,000,000**	**$25,000,000**

Program Description
The Loan and Grant Program includes ODOT expenditures for the Oregon Transportation Infrastructure Fund (OTIF), which is comprised of the Transportation Infrastructure Bank (OTIB) and a limited grant program for projects that reduced the number of wildlife-vehicle collisions. The purpose of OTIB is to help finance smaller local projects such as street paving.

Revenue Sources and Relationships
OTIB makes loans to local governments, transit providers, ports, and other eligible borrowers. The Fund was initially capitalized with a combination of federal and state funds interest earnings. Revenue bonds may also be issued to provide additional capital. Loan repayments and associated interest are made available for new loans.

Budget Environment
The program has historically issued about 12 loans per biennium. ODOT reports it has a goal of eventually averaging one new loan per month.

Legislatively Adopted Budget
Positions and FTE associated with OTIB management are budgeted in the Finance and Budget Division. The 2023-2025 legislatively adopted budget for the program is $25,000,000, a 21.9% decrease from the 2021-23 legislatively approved budget.

Capital Improvements

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	16,944,590	18,099,880	17,734,129	17,734,129
Total Funds	**$16,944,590**	**$18,099,880**	**$17,734,129**	**$17,734,129**

Program Description
The Capital Improvements program provides for new construction, remodeling or improvements totaling less than $1 million per project, to facilities leased or owned by ODOT. The Department owns over 1,200 facilities throughout the state, and strives to replace, remodel, or repair these facilities on a regular schedule to maximize their value to the agency.

Revenue Sources and Relationships
Capital improvements are funded primarily through transfer of State Highway Funds.

Budget Environment
ODOT owns over 1,200 facilities throughout the state and regularly maintains and repairs its facilities. Over time, as equipment and technologies improve and business processes changes, facilities need to be improved or remodeled.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget is $17,734,129, a 2% decrease from the 2021-23 legislatively approved budget.

Capital Construction

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	13,883,267	32,000,000	-	38,000,000
Total Funds	**$13,883,267**	**$32,000,000**	**-**	**$38,000,000**

Program Description
Capital Construction projects provide for new construction, remodeling, or improvements to facilities leased or owned by ODOT with costs totaling over $1 million.

Revenue Sources and Relationships
Capital activities are funded primarily through transfer of State Highway Funds, although federal grants, bond proceeds, or other resources are occasionally made available.

Budget Environment
ODOT owns over 1,200 facilities throughout the state and regularly maintains and repairs its facilities. Over time, as equipment and technologies improve and business processes changes, new facilities need to be acquired or constructed.

Legislatively Adopted Budget
The legislatively adopted budget for the Capital Construction program is $38 million Other Funds, for improvements on the Southcoast Regional Seismic Readiness Facility. This funding represents the third phase of the project, which consolidates three existing office/maintenance facilities into one location, and builds a new office and maintenance station that will also serve as a triage facility during emergency events. Construction is anticipated to be completed in the autumn of 2025. The project was authorized in HB 5006, and will be supported by the Seismic Fund created from HB 2017 (2017). No positions or FTE are associated with this project. The legislatively adopted budget of $38 million represents a $6 million, or 18.8%, increase from the 2021-23 legislatively approved budget.

Maintenance

	2019-21 Actuals	**2021-23 Legislatively Approved**	**2023-25 Current Service Level**	**2023-25 Legislatively Adopted**
General Funds	38,364,674	42,650,000	-	-
Other Funds	783,678,380	887,743,226	559,580,236	570,150,433
Total Funds	**$822,043,054**	**$930,393,226**	**$559,580,236**	**$570,150,433**
Positions	1,396	1,375	1,374	1,371
FTE	1,325.01	1,313.72	1,305.83	1,304.62

Program Description
The Maintenance program focuses on the daily activities of maintaining and repairing existing highways. The program area is also responsible for maintaining ODOT buildings and equipment, and serves as the main point for public contact regarding questions related to state highways for special highway-use permits and general road maintenance information.

Highway maintenance activities fall into two categories: reactive (fix it if it breaks) and proactive (spend now to save later). Reactive activities include responding to weather events to keep the roads passable, responding to crashes, cleaning ditches, repairing guardrails, filling potholes, and replacing signals. Proactive activities include inspection, upkeep, preservation, or restoration activities to prevent problems or damage to highways and associated infrastructure, with the goal of reducing life cycle costs.

Revenue Sources and Relationships
Maintenance is funded from the State Highway Fund, (Article IX, section 3a of the Oregon Constitution and ORS 366.505) and from Federal Highway Administration funding as approved within the federal transportation Infrastructure Investment Job Act (IIJA), which requires matching funds from state or local jurisdictions.

Budget Environment
One of the divisions in which Oregonians are most likely to notice operational reductions being implemented to manage the State Highway Fund revenue shortfall is the Maintenance Division. Less snow plowing, less frequent paving, and longer incident response times are examples of conspicuous service reductions that are likely to be implemented.

Legislatively Adopted Budget
The legislatively adopted budget for the Maintenance Division is $570,150,433, a 38.7% decrease from the 2021-23 legislatively approved budget. The Legislature approved policy option packages to recognize increased activity levels and staff attributable to passage of the federal IIJA, amounting to $9.2 million Other Funds. The Legislature also approved the elimination of three vacant positions (1.21 FTE) to facilitate upward reclassifications of positions in other divisions, generating a savings of $141,768 Other Funds.

Project Delivery and Support

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Funds	-	-	-	4,000,000
Other Funds	1,362,482,593	2,557,655,680	2,253,939,155	2,806,041,891
Total Funds	**$1,362,482,593**	**$2,557,655,680**	**$2,253,939,155**	**$2,810,041,891**
Positions	1,288	1,359	1,341	1,422
FTE	1,275.53	1,317.11	1,328.53	1,404.91

Program Description
The Project Delivery & Support Division includes transportation projects related to mobility, safety, accessibility, and projects benefiting state owned facilities. The Division was created for the 2023-25 biennium, and represents a consolidation of the following divisions that were individually budgeted in previous biennia: Preservation; Bridge; Highway Safety; Safety Operations; Modernization; and Special Programs. The Division assesses projects for economic impact, growth management, livability, and equity; and complies with environmental and land use regulations. The major transportation responsibilities that fall under the Division include the following: preservation of highway in the best condition possible; inspection, preservation, and reconstruction of more than 2,700 bridges and associated structures; highway safety and operations; modernization, which is focused on facilitating economic development, reducing congestion, and improving safety; the Interstate Bridge Replacement (IBR) program, and the Urban Mobility Office. Projects initiated are including in the Statewide Transportation Improvement Program.

Revenue Sources and Relationships
Revenue sources supporting this division includes State Highway Fund revenue, federal grants, revenue bond proceeds issued by the Department and used to finance projects, Federal as Other Funds received from the U.S. Department of Transportation and, most recently, General Obligation Bond proceeds in the amount of $250 million in 2023-25 to support the IBR project.

Budget Environment
The most recent state-funded transportation package, HB 2017, included tax and fee increases dedicated to new projects and multimodal transportation. The measure is estimated to produce about $500 million in State Highway Fund revenue when fully implemented, about half of which will go to local government to fund local road and street maintenance. The measure also included authority for ODOT to devise a tolling/congestion pricing program to help meet metro-area transportation needs, including reducing bottlenecks and strengthening bridges. HB 2017 contained a number of large named projects for which revenue could be utilized, and ODOT's financing plan to accomplish this work includes a combination of bonding against the new highway revenue, securing federal grant funds, and utilizing tolling revenue. However, as ODOT began releasing initial information and soliciting feedback on its urban mobility strategy, concerns were raised on behalf of lower-income residents, and communities along the southern end of the proposed tolling corridor. The Governor directed a two-year "pause" on tolling implementation, and a special legislative committee -- the Joint Committee on Transportation Special Subcommittee on Transportation Planning - was created to hear and consider issues that had been raised, and help guide implementation policies. Despite the pause, work to continue gathering data and designing systems, including outreach, traffic studies and modeling, pricing, and collection options, are continued in

anticipation of a future go-live. With this in mind, the Legislature approved resources to enable work on the program to continue.

The IBR is a joint venture with the State of Washington to plan and execute the replacement of the aging I-5 interstate bridge with a modern, seismically resilient multi-modal structure that offers improved mobility for people and freight. Each state had to commit $1 billion toward project costs to demonstrate commitment to federal funding partners; any federal funds awarded will be on a "last dollar in" basis.

Legislatively Adopted Budget

The Project Delivery and Support Division was newly formed for the 2023-25 biennium, reflecting consolidation of several divisions to better mirror agency operations and oversight structures. The legislatively adopted budget for the Project Delivery and Support division is $2,810,041,891, a 9.9% increase over comparable programs in the 2021-23 legislatively approved budget.

A total of $4 million General Fund was appropriated to ODOT on a one-time basis for the following projects:

- $1 million for the Great Streets program (SB 5506); and
- $3 million for pedestrian access improvements along SW Hall Boulevard (SB 5506)

Additional Other Funds expenditure limitation of $1.9 million and 6 permanent positions (6.00 FTE) were approved to support next phases of the Interstate Bridge Replacement program, involving additional project planning, coordination, permit management, final design work and construction activities. The first of approximately two dozen construction contracts will be awarded in late 2025 if the schedule holds and federal grant funding for the project is secured. HB 5005 authorized the issuance of General Obligation Bonds in the amount of $250 million, plus $1.8 million for cost of issuance. Expenditure limitation recognizing these resources is included in SB 5506 and budgeted in this division. The bonds represent the first quarter of a $1 billion commitment of state funds to Oregon's share of project costs; in addition to the authorization in 2023-25, the Subcommittee approved an additional authorization of $250 million in net proceeds in each of the next three biennia (2025-27, 2027-29, 2029-31), producing a combined total of $1 billion in net proceeds for the Interstate 5 Bridge Replacement project.

The Legislature approved policy option packages to recognize increased activity levels and staff attributable to passage of the federal IIJA, amounting to $273.1 million Other Funds, and 53 permanent positions (51.44 FTE), to allow approximately $200 million per year in additional projects to be planned, executed, and incorporated into the STIP; these new projects will require engineering and technical services, permitting, environmental review, contract management, and training. Other Funds expenditure limitation of $19 million for the Newberg Dundee Bypass was carried over from the 2021-23 biennium, to reflect expected completion of the project in the current biennium.

Approved position reclassifications self-financed by the agency resulted in $295,810 in additional Other Funds expenditure limitation, and the elimination of one position (0.8 FTE). Approved position actions resolve work-out-of-class issues and enable the agency to make more efficient use of existing position authority.

Local Government

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Funds	-	1,500,000	-	4,000,000
Other Funds	210,091,728	449,142,364	447,639,630	610,909,538
Total Funds	**$210,091,728**	**$450,642,364**	**$447,639,630**	**$614,909,538**
Positions	54	56	52	55
FTE	54.00	54.75	52.00	54.88

Program Description

The Local Government program provides project delivery oversight and state or federal funding administration for the development and execution of transportation improvement projects within local jurisdictions in Oregon. The program accounts for approximately 25% of STIP funding and up to 30 percent of the projects delivered among ODOT regions. The Local Government program is a cost-based reimbursement program between the Federal Highway Administration and ODOT. ODOT's Federal-aid Program uses Federal Funds to reimburse local agencies, such as cities and counties, ports, special districts, tribes, and other federal agencies eligible for federal transportation funding.

Revenue Sources and Relationships

The Federal Highway Administration provides funds to ODOT through the Federal-aid Highway Program and ODOT reimburses these funds to eligible local agencies. Projects funded with federal transportation funds require local participation. ODOT provides local governments an opportunity to exchange federal surface transportation grant funds - which have more complex management and reporting requirements - with state funds to assist local jurisdictions with ease of administration. This arrangement is commonly referred to as the local government fund exchange program.

Budget Environment

ODOT had indicated it was moving toward ending the fund-exchange program, as flexible state highway fund dollars became increasingly scarce and are required for maintenance and operations. However, local transportation partners reiterated the importance of the program to the Legislature, which passed HB 2101, requiring ODOT to exchange a maximum of $35 million per year with local governments from any remaining revenue generated from HB 2017 increases not otherwise specified for particular uses and projects. Distribution of these dollars will be determined by an agreement between the League of Oregon Cities, the Association of Oregon Counties, and ODOT.

Legislatively Adopted Budget

The legislatively adopted budget for the local government division is a $164.3 million, or 36.4%, increase from the 2021-23 legislatively approved budget.

The Legislature approved $117.7 million Other Funds expenditure limitation and 3 permanent positions (2.88 FTE) to reflect increased funding from the IIJA, and to support contracting, ADA project delivery, and oversight of property transfers related to projects benefiting local governments.

The Legislature approved General Fund in the amount of $4 million for the following projects.

- $2 million to the City of Independence for the Chestnut Street Bridge in the City of Independence (SB 5506);
- $2 million to the City of Independence for Western Interlock off-site transportation improvements in the City of Independence (SB 5506)

Increases to Other Funds expenditure limitation to support projects funded by lottery revenue bonds on a one-time basis totaled $45.5 million. These increases include:

- $20 million for the Port of Hood River for the Hood River - White Salmon Interstate Bridge
- $20 million for Multnomah County for the Earthquake Ready Burnside Bridge project
- $5 million for the City of Bend for the Hawthorne Avenue Pedestrian and Bicycle Overcrossing

Cost of issuance associated with these bonds collectively totals $514,349, with no debt service for these projects is anticipated in the 2023-25 biennium.

Approved position reclassifications self-financed by the agency resulted in $31,872 in additional Other Funds expenditure limitation, reflecting the reclassification of one position to resolve work-out-of-class issues.

Driver and Motor Vehicles Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	250,042,615	285,934,851	280,153,338	280,103,245
Federal	18,231,978	23,581,135	31,226,793	31,225,031
Total Funds	**$268,274,593**	**$309,515,986**	**$311,380,131**	**$311,328,276**
Positions	1,002	992	897	897
FTE	921.82	947.25	877.00	877.50

Program Description

Driver and Motor Vehicles (DMV) licenses and registers nearly 2.6 million drivers and motor vehicles annually and enforces motor vehicle-related laws. ODOT operates 60 DMV field offices statewide, along with a Customer Services group which assists the general public and government agencies such as law enforcement and courts that complete transactions and deliver training to field office staff. Policy, procedures, third party agreements for testing and other services, business regulation and administrative rules are developed and administered through the Program Services group. Innovation and Planning is responsible for information technology projects and business tools.

Revenue Sources and Relationships

DMV is supported by fees levied for the various services the program provides, contributing more than 30% of revenue to the State Highway Fund. Passenger vehicle registration fees are the largest single revenue collected ($528.6 million), followed by title fees ($217.6 million) and driver licenses ($76.1 million). A smaller amount of revenue comes from various other sources. These revenues are deposited in the State Highway Fund, Transportation Operating Fund, and funds work administered by other programs, such as Public Transit and Passenger Rail. Revenues in excess of DMV collection and operating costs are subject to city, county, and state distribution. Approximately 2/3rds of the revenues collected by DMV are projected to be transferred to the State Highway Fund, cities, counties, and other state agencies.

The Legislature passed HB 2100 which increased many common DMV fees to help cover the cost of delivering these services, anticipated to generate $19 million in 2023-25, and an estimated $26 million in subsequent biennia. HB 5041 ratified a fee increase to reflect increases in the cost of manufacturing DMV plates. The bill is estimated to generate $1 million in additional revenue.

Budget Environment

Following the COVID-19 pandemic, Driver and Motor Vehicles Division (DMV) transitioned to a mix of online, appointment and walk-in service models to accommodate customers and meet staffing challenges. The Division is still anticipating an increase in demand for services as the federal Real ID deadline approaches (currently May 7, 2025), however the deadline has been extended multiple times in the past.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $311,328,276 is $1.8 million, or 0.6%, higher than the 2021-23 legislatively approved budget and includes 897 positions (877.50 FTE). Small adjustments in the budget were included to reflect appropriate position classifications and representation, amounting to $129,868 and 0.50 FTE.

Commerce and Compliance Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	74,271,033	105,539,238	92,499,008	102,455,992
Federal Funds	2,687,046	12,315,697	10,197,291	14,197,291
Total Funds	**$26,958,079**	**$117,854,935**	**$102,696,299**	**$116,653,283**
Positions	316	324	307	314
FTE	315.48	319.90	306.48	312.73

Program Description

The Commerce and Compliance Division regulates the commercial transportation industry on Oregon rails and public roads. This includes but is not limited to, protecting roads, bridges, and rails from unnecessary damage, providing customer service in registering commercial vehicles in Oregon, and collecting the appropriate road usage charges. The trucking industry ranges from one-truck owner-operators to carriers with large fleets operating throughout the United States and Canada, including approximately 9,000 trucking companies with 53,000 trucks registered to operate in Oregon. Additionally, the Division helps truckers comply with Oregon laws and regulations relating to economic regulation, registration, safety, freight mobility, and truck size and weight. The division also incorporates rail and transit regulatory and safety oversight functions.

Division enforcement officers and safety specialists check trucks mainly at 82 weigh stations, six ports-of-entry, and at portable scale sites. The division administers an automated preclearance program for within-weight vehicles, and collects and audits tax and registration payments. Safety inspections are also conducted on rails and train cars to reduce the instance of derailments and other costly and potentially dangerous accidents.

Revenue Sources and Relationships

Revenue from weight-mile taxes, commercial vehicle registrations, and permits provide the primary resources to support this Division, estimated to total $967.3 million in the 2023-25 biennium. About one-third of gross Highway Fund revenue comes from weight mile taxes, registration and permit fees collected by this division. The CCD also receives Federal Funds supporting truck safety-related efforts.

Budget Environment

The biennial Highway Cost Allocation Study examines whether weight mile taxes paid by commercial vehicles are proportional to the share of vehicle miles traveled, compared to fuel taxes paid by passenger vehicles, in an attempt to appropriately share the cost of maintenance and operation of highways. In the event that the study demonstrates that costs are not equitable, the OTC may provide recommendations to the Legislature that result in a more equitable share of costs. The most recent (2023) cost allocation study found that light vehicles are projected to underpay their share by 12.2 percent, while heavy vehicles were projected to overpay by 32.4 percent for the 2023-25 biennium. In response, section 8 of House Bill 3406 requires DAS to submit a report to the Joint Committee on Transportation by September 15, 2024, that includes an analysis of at least the three most recent reported Highway Cost Allocation Studies. The report must evaluate the amount that users of each class of vehicle actually paid, and whether the amount paid was a proportionate share of those costs. The reporting requirement is repealed on January 2, 2025.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $116,653,283 total funds is $1.2 million, or 0.1%, less than the 2021-23 legislatively approved budget level. Rail regulatory functions were transferred to this division for the 2023-25 biennium and beyond. Additional Other Funds expenditure limitation of $14.1 million and 7 positions (7.00 FTE) was approved, for IIJA increases to the Motor Safety Carrier Assistance program for additional safety audits ($4 million and 7 positions), and for rail crossing safety improvement projects ($10.1 million) included in the STIP that are being carried over into the 2023-25 biennium, when they are expected to be completed. Agency position reclassifications resulted in a net reduction of one position (0.75 FTE), and a reduction of $123,360 Other Funds in the Commerce and Compliance Division.

Policy, Data and Analysis Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	-	3,000,000	-	5,000,000
Other Funds	134,364,133	237,388,228	149,507,656	202,730,533
Federal Funds	124,082	205,424	215,163	215,163
Total Funds	**$134,488,215**	**$240,593,652**	**$149,722,819**	**$207,945,696**
Positions	193	241	196	206
FTE	185.98	229.23	189.06	198.46

Program Description

The Policy, Data and Analysis (formerly Transportation Development) Division provides the foundation for decision-making to address transportation needs throughout the state. The division plans and coordinates the future use of transportation resources among state, federal, and local agencies to design and operate an efficient transportation system. The division also conducts research, collects data, and provides planning services to support decision making at the state and local levels. Climate Office responsibilities associated with implementation of legislation and executive orders related to greenhouse gas emission reduction are housed here. Climate office work consists mostly of advancing strategies, investments, and infrastructure supporting vehicle electrification and transit options at the state and local levels. The division also helps make grant opportunities available for the building of infrastructure in support of a multimodal transportation system (Connect Oregon) with investments in freight, rail, marine and aviation.

Revenue Sources and Relationships

Other Funds revenue for the Division is from the State Highway Fund and Oregon privilege taxes for ConnectOregon. The Federal Funds as budgeted as Other Funds come from the FHWA and the National Highway Traffic Safety Administration. For 2023-25, this funding is anticipated to be $114.19 million and requires a non-federal match. Federal Funds budgeted as Federal Funds are from the National Highway Traffic Safety Administration to facilitate reporting and analysis of traffic fatalities. Other Funds revenue from a vehicle dealer privilege tax, projected at $49.9 million, is dedicated to multimodal projects under the Multimodal Active Transportation Fund and Connect Oregon program, respectively. A further $47.3 million in Highway Fund revenue also supports the activities of the division.

Budget Environment

The Policy Data and Analysis Division has been administering grants for the Treasure Valley Intermodal (a.k.a. Treasure Valley Reload) Facility in Nyssa Oregon. The project is managed by the Malheur County Development Corporation and is intended to serve as a central rail and reload center for regional agricultural products to be transferred from trucks to rail, for delivery to other markets. State investments in the project total $26 million in Connect Oregon Funding (HB 2017), $3 million in American Rescue Plan Act funding from the Oregon Business Development Department to the City of Nyssa for a waterline to the facility; and $3 million General Fund appropriated from the Emergency Fund at a September 2022 meeting of the Emergency Board. A further $5 million General Fund was included in SB 5506 (2023) for the project. Shortly after the conclusion of the 2023 Legislative Session, the project's private sector partner, Americold Logistics, announced it was pulling out of the project. As of this writing, construction of the facility is incomplete.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $207.9 million is $32.7 million, or 13.6%, less than the 2021-23 legislatively approved budget. Other Funds expenditure limitation in excess of the 2023-25 Current Service Level was approved to reflect $40.4 million in costs and three permanent positions (3.00 FTE) associated with building out electric vehicle charging infrastructure and enabling distribution of $85 million Other Funds for projects that reduce transportation emissions, and promote equity and climate goals. IIJA funds will support $12.9 million in additional Other Funds expenditure limitation, two permanent positions and five limited duration positions (6.40 FTE) for related projects in the 2023-25 biennium.

Public Transportation - Transit

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	-	3,349,960	-	1,500,000
Lottery Funds	92,538	950,000	-	650,000
Other Funds	256,099,622	298,929,066	314,813,963	318,335,698
Federal Funds	80,089,445	182,421,166	96,453,623	145,164,911
Total Funds	**$336,281,605**	**$485,650,192**	**$411,267,586**	**$465,650,609**
Positions	33	44	40	48
FTE	33.00	38.63	40.00	47.88

Program Description

The Transit Program of the Public Transportation Division supports the state's goals of having an integrated, interconnected transportation system that furthers quality of life and economic vitality by contributing to health and safety and reducing greenhouse gas emissions. The program is responsible for establishing policies and procedures, distributing funds, providing technical assistance and training, convening stakeholders, and contracting for services that fill gaps in the statewide transit network. Safe Routes to Schools, bicycle and pedestrian, special transportation programs for seniors and individuals with disabilities, transportation options education, rail operations and the Oregon Community Paths programs are also administered by employees in this section. These programs are operated with the goal of ensuring transit options are available in both rural and urban areas and between communities, and that they facilitate the independence and participation of Oregon residents.

Revenue Sources and Relationships

Federal funding comes from the Federal Transit Administration (FTA) for transit grants as follows:

- $61.7 million for transit grants to serve seniors and individuals with disabilities.
- $60 million for general transit grants.
- $30 million for planning.

Other Funds come from FTA grants budgeted as Other Funds and available for transit operations ($4.6 million), as well as a statewide employee payroll tax of 0.1% implemented through HB 2017 and anticipated to generate $277.2 million in 2023-25. Additional Other Funds resources result from transfers from the ODOT Transportation Operating Fund ($42.7 million), Cigarette Tax ($4.5 million), Oregon ID card revenue ($2 million), and interest income. Lottery Funds are associated with veterans' healthcare transportation grants funded with dedicated lottery Veteran Service Fund dollars. General Fund appropriated on a one-time basis supports a local rail project in Klamath County.

Transit program funds are primarily distributed to local service providers in three ways: by formula based on service area population or where payroll tax revenues are generated; by formula based on the number of rides given and miles traveled; and through discretionary grant solicitation by ODOT.

Budget Environment

Policymakers have been moving toward a more multimodal mindset by emphasizing planning and funding for transportation projects beyond those that primarily benefit passenger cars and truck freight. In 2021, the OTC adopted ODOT's Strategic Action Plan with priorities addressing equity, a modern transportation system, and sufficient, reliable funding.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget of $485.7 million is $20 million, or 4.1%, less than the 2021-23 legislatively approved budget, and includes 48 positions (47.88 FTE). Rail Operations (non-safety activities) were consolidated into this division for the 2023-25 biennium and beyond. Lottery Funds in the amount of $650,000 were transferred from the Veterans Services Fund in the Oregon Department of Veterans' Affairs to support veteran healthcare transportation grants in the 2023-25 biennium. General Fund in the amount of $1.5 million was approved for the Klamath County Economic Development Association in support of the Klamath Northern Railroad. $3.3 million Other Funds expenditure limitation was approved to accommodate increased additional funding for public transportation work coming to ODOT through IIJA. Besides supporting public transportation related work, the funds support program management for the Great Streets Program (project work is budgeted in Delivery & Operations) and the Innovative Mobility Program ($10 million). An agency reorganization resulted in the inclusion of passenger rail programs into this division for the 2023-25 biennium and forward.

Debt Service

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	25,176,333	18,371,213	16,930,280	16,930,280
Lottery Funds	114,671,355	120,982,579	136,144,810	136,068,150
Other Funds	353,778,802	401,157,671	381,283,133	443,275,713
Other Funds (NL)	1,363,806,207	-	-	-
Federal Funds (NL)	20,029,515	20,679,380	18,764,647	18,764,647
Total Funds	**$1,877,462,212**	**$561,190,843**	**$553,122,870**	**$615,038,790**

Program Description
Oregon has long used debt for road construction; the first Oregon highway bond was issued in Jackson County in 1913 in the amount of $1,000.

Debt service in this program includes limitation for payment of debt obligations under ODOT's Highway User Tax Revenue bond program, as well as Lottery Revenue bonds, and General Obligation bonds used by the Department. Highway User Tax Revenue bonds include those authorized under the Oregon Transportation Investment Act, Jobs and Transportation Act, and Keep Oregon Moving (HB 2017) programs. Debt service related to the Highway User Tax Revenue bond program is paid from State Highway Funds, and is partially subsidized with Federal Funds. It also covers debt service associated with Lottery Revenue bonds that the state has issued for local projects, including the South Metro Commuter Rail project in Washington County, the Southeast Metro-Milwaukie Extension, Portland Street Car, Short-Line Railroad infrastructure assistance, Industrial Spur infrastructure, Salem-Keizer Transit Center, Juntura Road project in Harney County, Portland SW Capitol Highway project, the Lane Transit District Project, a pedestrian bridge in the City of Sherwood, Fanno Creek Trail improvements, dedicated projects for Connect Oregon per HB 2017, and Connect Oregon phases 1-VI. Debt service is paid from Lottery Funds.

General Fund debt service for 2023-25 pays for Highway Safety Improvement projects authorized during the 2015 Legislative Session, as well as for the State Radio Project. The state will pay General Fund debt service associated with the issuance of $250 million in General Obligation Bonds for the Interstate Bridge Replacement Project authorized in 2023 beginning in the 2025-27 biennium.

Revenue Sources and Relationships
Other funds are derived from the sale of bonds, which are retired using allocations of state Highway and Lottery Funds.

Budget Environment
Under the Highway User Tax Revenue bond program, ODOT maintains authority for the remaining funds dedicated to the Urban Mobility Strategy ($30 million per year). Approximately $16 million per year of this dedication was leveraged in late 2022 for the issuance of approximately $242 million in bond revenue. After the sale of the remaining $14 million per year, ODOT will have utilized the entirety of its Highway User Tax Revenue bond authority.

As ODOT pursues tolling on the I-205 and I-5 corridors, as well as the Interstate Bridge Replacement program, it intends to issue Toll Revenue bonds to pay for a substantial portion of the Urban Mobility Strategy. Tolling on the I-205 and I-5 corridors has been delayed at the direction of the Governor until no sooner than January 2026. As a result, Toll Revenue bonds will not be issued prior to that.

Furthermore, ODOT is working to establish a Grant Anticipation Revenue Vehicle (GARVEE) program, through which it can leverage federal formula funds for the issuance of bonds to pay for eligible projects. ODOT intends to issue up to $300 million in GARVEE bonds during the 2023-25 biennium to pay for construction of ADA improvements across the state. Debt service on GARVEE bonds is reimbursable with federal formula funds at the same rate as other federally eligible projects.

Legislatively Adopted Budget
The Legislatively Adopted Budget of $615 million represents a $53.8 million, or 9.6%, increase from the 2021-23 legislatively approved budget. The increase is due to bond sales occurring in late 2022 and May 2023 for Oregon's Urban Mobility Strategy.

ODOT Administrative Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	233,111,053	246,802,982	239,977,138	247,326,983
Federal Funds		--	319,083	--
Total Funds	**$233,111,053**	**$246,802,982**	**$240,296,221**	**$247,326,983**
Positions	528	465	448	481
FTE	523.84	455.21	444.75	472.22

Program Description
Support Services provides administrative functions supporting each agency program. The following are the services provided:

- Director's Office (6.75 FTE) - includes the director, assistant directors, and executive support. This budget area provides executive leadership and support for strategic activities that advance ODOT's vision, mission, and Strategic Action Plan.
- Headquarters Operations (51.00 FTE) - comprises the Government Relations, Communications, and Business Management sections, as well as the Oregon Transportation Commission's administrative staff.
- Internal Audits (11.00 FTE) - conducts internal audits of ODOT programs and makes recommendations for improving operations, in accordance with generally accepted government auditing standards. This group also conducts external audits and special analysis to ensure costs charged to ODOT by consultants, contractors and other external entities are accurate, reasonable, and comply with applicable federal and state regulations.
- Human Resources (54.13 FTE) - provides professional advice and leadership on employee labor relations, classification, recruitment and retention, and training issues, and manages the Department's human resource systems and processes. Human Resources staff work closely with operating divisions to identify options to meet staffing needs and more efficient ways of doing business.

- Facilities Maintenance (20.00 FTE) - operates and maintains ODOT-owned buildings primarily in the Salem and Portland areas. Crews conduct scheduled inspections and services, repair and replace building system components, and respond to routine and emergency maintenance needs.
- Information Systems (230.53 FTE) - plans, develops, and supports business application systems and technology infrastructure; provides procurement and asset management for computing devices and software, and; provides security, business continuity, and disaster recovery for the agency's information systems.
- Procurement Services (66.20 FTE) - represents the central procurement authority for ODOT and manages all procurement and contracting matters for ODOT and the Department of Aviation. Additionally, the program procures on behalf of local transportation agencies that use federal funds in support of the public transportation system in Oregon. Other services include training for ODOT staff; supplier outreach to Oregon's disadvantaged, minority- or woman-owned, and emerging small businesses; and contract administration and oversight.
- Office of Equity & Civil Rights (27.86 FTE) - helps to build a diverse workforce by supporting equitable recruitments, operations, and policies, and establishing an informed culture that delivers authentic inclusivity. The Office promotes economic opportunity for Oregonians through transportation investments, including working with businesses owned by people who identify as Black, Indigenous, Latino/a/x, Asian, Pacific Islander, Native, Tribal, and people of color, women, or others. This group also manages ODOT's commitment to the implementation of federal and state equity programs, such as Title VI and ADA.
- Employee Safety (4.75 FTE) - promotes workplace safety and health throughout ODOT through the Safety Resource Team and Safety Committees. This section also ensures regulatory compliance with Federal and Oregon Occupational Safety and Health Administration standards and other applicable health and safety regulations, and develops and provides mandatory training on health and safety topics.

Revenue Sources and Relationships

Support Services is funded by a combination of direct and indirect charges. Direct charges are applied where the service can be accurately measured, such as computer use and Highway Fuel Tax accounting. The bulk of the revenues, however, come from a central assessment model, which prorates each division's share of Headquarters operating costs.

Budget Environment

Workload in Administrative Services is driven by the workload factors affecting the Department. This includes demographic changes in Oregon's population and economy, implementation of federal appropriation legislation and state legislative priorities, rapidly changing information technology, and efficient delivery of programs.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $247.3 million is $0.6 million more than the 2021-23 legislatively approved budget. The increase reflects the following:

- Incorporation of the former Headquarters and support services divisions, which existed as separate entities in previous biennia.
- Additional expenditure limitation and position authority needed to support agency programs and additional project volume due to an increase in the agency's Congressional funding allocation under IIJA. Additional IIJA funding will result in the need to manage an increase in recruitments and human resource functions, contracts and procurement activities, information technology and employee safety. A total of 16 positions (14.75 FTE) and $6.6 million in Other Fund expenditure limitation is associated with supporting programs due to increases in funding.

- Additional procurement resources were approved (1 position, 0.5 FTE) related to the Interstate Bridge Replacement Project and for advancement of strategies to serve historically disadvantaged potential contractors and facilitate public-private partnership agreements.
- ODOT will initiate a small business development program aimed at improving opportunities for contracts with small businesses, BIPOC, and women-owned businesses, pursuant to the passage of SB 1048. Three positions (2.30 FTE) and associated expenditure limitation are associated with this effort.
- Additional Other Funds expenditure limitation of $3.2 million and 14 positions (10.92 FTE) were approved to support other divisions' efforts to perform foundational work an analysis related to the agency's urban mobility strategy. In the Administrative Services Division, Mangers, procurement, human resources, and IT personnel will be needed to support the hiring and work of the Delivery and Operations Divisions where the bulk of the analysis, planning, modeling, and related expenditures are budgeted.

Finance and Budget

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	11,720,977	51,201,313	80,140,610	80,388,505
Federal Funds	--	317,204	287,347	287,347
Total Funds	**$11,720977**	**$51,518,517**	**$80,427,957**	**$80,675,852**
Positions	48	80	114	119
FTE	47.39	80.00	114.00	118.50

Program Description

Finance and Budget consists of 119 positions that provide budget, economics, and debt service (14.00 FTE), Financial Services, including collections, accounts payable, fuel tax management, and accounting (66.50 FTE), and investment management (28.00 FTE) . The Division is responsible for developing the STIP, the four-year transportation capital improvement program accounting, payroll support, contractor payments, travel claims processing, financial training, coordination and reporting, debt management, collection services, cost allocation, and billing.

Revenue Sources and Relationships

Fuels tax-related work is funded from gross Motor Fuels taxes. Federal Funds support enforcement efforts for Highway Use Tax evasion. The remaining support for the division comes from a central assessment model, which prorates each division's share of Finance and Budget operating costs.

Budget Environment

These functions were separated from the Support Services unit as part of reorganization efforts by the agency when ODOT brought the agency's various financial and revenue functions together as a single division to better manage the agency's budget and fiscal health.

Legislatively Adopted Budget

The Finance and Budget division was organized in its current configuration in the 2021-23 biennium. The 2023-25 legislatively adopted budget is a $29.2 million increase from the 2021-23 legislatively approved budget, primarily due to the addition of the SIMS group and Office of Innovative Funding. Four positions (4.00 FTE) and $1.1 million in Other Funds expenditure limitation were added to recognize additional project capacity resulting from IIJA funds, and one position (0.50 FTE) and $146,002 in Other Funds expenditure limitation was added to ensure that financial systems for the Urban Mobility strategy are integrated with this division. Position reclassification actions resulted in a net increase in Other Funds expenditure limitation of $20,352.

ADMINISTRATION

PROGRAM AREA

DEPARTMENT OF ADMINISTRATIVE SERVICES

Analyst: To

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	228,061,764	670,875,331	14,155,618	119,191,299
Lottery Funds	22,324,970	26,603,175	51,259,606	53,025,384
Other Funds	1,210,137207	1,534,163,265	1,180,240,661	1,392,285,368
Other Funds (NL)	175,734,234	196,465,752	143,492,672	143,492,672
Federal Funds	1,262,480,066	3,231,410,566	--	174,448,029
Total Funds	**$2,898,738,241**	**$5,659,518,089**	**$1,389,148,557**	**$1,882,442,752**
Positions	926	999	931	988
FTE	908.27	983.76	930.50	978.71

Overview

The Department of Administrative Services (DAS) supports other state government agencies and coordinates statewide services and administrative policies. The agency the following nine divisions responsible for a range of services and oversight:

- Chief Operating Office (COO) – Provides guidance to all executive branch agencies, including conducting economic analysis and internal auditing, supporting statewide efforts to improve state government, and coordinating legislative activities as well as external communications.
- DAS Information Technology (DAS IT) – Provides IT solutions engineering, project management, and IT service desk support, for DAS and small agencies, boards, and commissions.
- Chief Financial Office (CFO) – Responsible for statewide financial reporting, comprehensive fiscal policy, budget development and financial oversight for the Executive Branch.
- Chief Human Resources Office (CHRO) – Oversees state agencies' human resources (HR) functions, including policies, investigations, talent acquisition, executive recruitments, classification and compensation, workforce development, labor relations and HR information systems.
- Enterprise Information Systems (EIS) – Provides statewide information technology leadership.
- State Data Center (SDC) – Provides a full suite of managed computing, storage, network and backup services (e.g., colocation, cloud brokering, backup services, network services, managed computing services) to executive branch agencies.
- Enterprise Asset Management (EAM) – Provides vehicles from the state fleet; disposition of surplus personal property; office and specialty use space within its portfolio of owned buildings; full–service brokerage representation for state agencies in private sector leased space; plans and executes capital construction projects for DAS-owned buildings.
- Enterprise Goods and Services (EGS) – Provides business services (financial, procurement, publishing and distribution, risk management) to state and local government.
- Business Services – Provides emergency and business continuity planning, statewide performance management data quality services, as well as budget rate development and fee assessments.

In addition, DAS collects and distributes mass transit taxes, as well as federal, lottery, and state funds to state agencies, cities, counties, and other entities.

Revenue Sources and Relationships

DAS revenues are budgeted as follows:

- General Fund helps support the prison population forecast work completed by the Office of Economic Analysis and various pass-through grants appropriated for specified recipients.
- Lottery Funds revenue is transferred on a quarterly basis from the Oregon Lottery to the Administrative Services Economic Development Fund. DAS then distributes these funds to the Education Stability Fund, Oregon Education Fund, Parks and Natural Resources Fund, Veterans' Services Fund, and other statutory allocations.
- Other Funds Nonlimited revenues are used for buying insurance and paying for losses from the Risk Management Fund, as well as distributing Mass Transit assessment to transit districts.
- Other Funds Limited revenues are mainly derived from fees and assessments paid by state agencies for services provided by DAS. DAS establishes rates for direct services and bills agencies based on usage. Costs of indirect services, such as those provided by the Chief Operating Office, Chief Financial Office, Chief Human Resources Office, and Enterprise Information Services, are recovered through state government service changes (SGSC), which are based in part on full-time equivalent positions. Payments by state agencies to DAS are controlled through the budget review and approval process. Approximately 50.5% of SGSC received by DAS originate as General Fund payments, which are spent by DAS as Other Funds. The remaining SGSC funding components are Lottery Funds (1.3%), Other Funds (35.1%), and Federal Funds (13%).

DAS's Federal Funds budget reflects American Rescue Plan Act (ARPA) funding. Historically, DAS has not expended federal funds directly and only relied on federal funds paid through assessments and charges by agencies. However, this changed beginning in the 2019-21 biennium due to the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA) designed to support states' responses to the COVID-19 pandemic. A decision was made early in the public health emergency to have all federal funds for general state support from the two federal spending bills flow through the Department. DAS expends these monies as Federal Funds, which required expenditure limitation adjustments. If a different state agency was responsible for carrying out activities supported by these funds, then that agency received Other Funds expenditure limitation, with DAS accounting for the pass-through using its Federal Funds expenditure limitation.

Budget Environment

The Department provides services along two primary tracks: (1) governance and policy direction, such as budget, accounting, and human resource policies; and (2) infrastructure and business services, such as printing, mail, fleet, and custodial services. Handling the simultaneous leadership and service-provision roles is an ongoing challenge for the Department. State agencies can be sensitive to paying for policy oversight, which seemingly has less tangible value, and for services which they might prefer to forego, purchase elsewhere, or support on their own.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for DAS totals $1.9 billion, which is $3.8 billion, or 66.7%, less than the 2023-25 legislatively approved budget. The budget supports 988 positions (978.71 FTE). The decreased budget is primarily due to the phase out of federal American Rescue Plan Act (ARPA) payments received to address the COVID-19 public health emergency and the phase out of General Fund pass-through grants to local government and non-profit entities.

Chief Operating Office

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	3,104,269	10,639,266	6,275,329	6,237,702
Other Funds	9,584,876	12,068,333	11,348,061	11,891,883
Total Funds	**$12,689,145**	**$22,707,599**	**$17,623,390**	**$18,129,585**
Positions	19	29	19	21
FTE	18.76	29.00	19.00	20.00

Program Description

The DAS Director is responsible for managing and coordinating the policies, programs, and services of the divisions within the Department. The Director also serves as the Chief Operating Officer for Oregon and is tasked with reviewing systems and procedures, streamlining departments, and creating efficiencies and cost savings in state government. The Director is responsible for coordinating policy among state agencies and setting guidelines for developing the Governor's budget and executing the legislatively adopted and approved budgets. The Chief Operating Office (COO) has four primary functions:

- Agency Administration – Provides management oversight and policy direction to DAS divisions.
- Office of Economic Analysis – Produces the Oregon Economic and Revenue Forecast and criminal Justice Population Forecast, and contracts for the Highway Cost Allocation Study.
- Performance Management – Works with agencies on the most efficient and effective use of public funds.
- Government Affairs and External Relations – Coordinates legislation and communications.

Revenue Sources and Relationships

Most COO functions are funded through an assessment on state agencies. General Fund support directly pays for the cost of producing prison population forecasts. The Department of Transportation pays for the cost of the Highway Cost Allocation Study conducted by OEA. In addition, HB 2600 (2017) moved General Fund pass-through funding for the Court Appointed Special Advocates (CASA) program from the Housing and Community Services Department to DAS. The CASA program also receives federal funds from the Department of Human Services that are pass-through to CASA organizations by DAS as Other Funds.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Chief Operating Office is $18.1 million, which is a decrease of $4.6 million, or 20.2%, from the 2021-23 legislatively approved budget. Decreases to the budget include: (1) the phase out of limited duration positions and General Fund associated with a study to determine if inequities exist in public procurement and contracting that adversely affect businesses owned by minority, women, and/or service-disabled veterans; and (2) the transfer of $726,435 Other Funds and two positions (2.00 FTE) to the newly independent Office of the Public Record Advocate. Increases to the budget include:

- $179,770 Other Funds to offset the cost of purchasing Continuity of Operations Planning (COOP) software.
- $274,231 Other Funds and two limited duration positions (1.00 FTE) for 12 months to continue a three-year project approved in the 2021-23 biennium to implement an enterprise Public Records Request Management System.
- $143,969 Other Funds to establish the Oregon Housing Needs Analysis (OHNA) within the Office of Economic Analysis, as part of a statewide series of investments related to housing. The purpose of the OHNA is to perform the annual statewide housing analysis, determine the allocated housing need, and set housing production targets. DAS will reclassify one Economist 2 position in the Chief Operating Office, which results in personal services costs of $93,969 Other Funds. Other Funds limitation of $50,000 is provided for consulting services costs. These costs are ongoing in subsequent biennia.

- $5.9 million General Fund and $2.7 million Other Funds for CASA.

DAS Information Technology

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	15,141,407	18,663,818	18,309,279	19,527,586
Total Funds	**$15,141,407**	**$18,663,818**	**$18,309,279**	**$19,527,586**
Positions	43	41	41	47
FTE	42.02	40.63	41.00	47.00

Program Description

DAS Information Technology maintains the DAS technology environment through Application Service Delivery and the Technology Support Center.

Revenue Sources and Relationships

DAS Information Technology receives funding from DAS Divisions through internal overhead charges and from client agencies that pay DAS for desktop computing support.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for DAS IT is $19.5 million, which is an increase of $863,768, or 4.6%, from the 2021-23 legislatively approved budget. Decreases to the budget include the phase out of expenditure limitation associated with the Application Integration Platform project and reducing professional services and data processing accounts. Increases to the budget includes:

- $1.3 million Other Funds and five permanent full-time positions (5.00 FTE) to address a backlog of change requests and reduce the overall development time for existing critical technology applications for DAS and 18 other state agencies, boards, and commissions.
- $765,520 Other Funds and one Information Systems Specialist 7 position (1.00 FTE) to improve turnaround time and increase PC technical support. This funding will also provide resources to replace computers more frequently with the goal of moving to a four-year replacement cycle. The current cycle is eight years.

Chief Financial Office

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	--	--	167,008
Other Funds	14,047,055	17,111,178	17,250,171	18,644,276
Federal Funds	--	1,949,061	--	1,944,041
Total Funds	**$14,047,055**	**$19,060,239**	**$17,250,171**	**$20,755,325**
Positions	44	49	44	48
FTE	44.00	49.00	44.00	47.75

Program Description

The Chief Financial Office (CFO) establishes and enforces statewide budget policies and monitors agencies to ensure funds are spent within legal and budgetary constraints. It is responsible for reviewing agency budget requests and developing and tracking the Governor's budget recommendation through the legislative process. CFO helps with coordinating statewide bonded debt programs, including issuance and repayment of Article XI-Q bonds, pension obligation bonds, and lottery revenue bonds. The Office is responsible for developing and maintaining statewide budget systems and supporting accuracy and accountability in state financial systems by providing services and controls in the management of statewide accounting, receivables, and financial reporting.

Revenue Sources and Relationships
The Chief Financial Office is funded through assessment of state agencies based on an agency's total funds budget and full-time equivalent positions.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Chief Financial Office is $20.8 million, which is an increase of $1.7 million, or 8.9%, from the 2021-23 legislatively approved budget. The budget includes the phase out of $6.1 million Other Funds expenditure limitation to accept funds from the Federal Emergency Management Agency for reimbursement of expenditures related to COVID-19 emergency response activities and personal protective equipment purchases. The budget also includes the following adjustments:

- A reduction of $744,316 in Other Funds limitation to reflect savings realized from eliminating a portfolio management software subscription and other cost cutting efforts.
- The transfer of $695,773 Other Funds and two facility planning positions (2.00 FTE) to the Enterprise Asset Management Division.
- An increase of $2.6 million Other Funds to migrate statewide facilities inventory and condition assessment data into one facility tracking system. Of this amount $2.2 million is one-time funding to purchase the software and $374,034 is for ongoing maintenance and support.
- $300,000 in one-time Other Funds to contract with a vendor to provide statewide coordination and tracking of federal funding opportunities available through the Infrastructure and Investment Jobs Act and the Inflation Reduction Act.
- $1.9 million Federal Funds and five limited duration positions (5.00 FTE) to continue tracking America Rescue Plan Act (ARPA) expenditures and comply with federal reporting and audit requirements. Although all ARPA funds must be obligated by the end of 2024, the final ARPA reporting period extends through April 30, 2027.
- $167,008 General Fund to support a permanent full-time Operations and Policy Analyst 2 position (0.75 FTE) for grant administration to address the cumulative impact of legislation appropriating funds to the Department to distribute as grants to other entities.

Chief Human Resources Office

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	31,410,802	36,911,251	39,201,792	43,577,589
Total Funds	**$31,410,802**	**$36,911,251**	**$39,201,792**	**$43,577,589**
Positions	76	87	80	84
FTE	72.07	81.25	80.00	83.88

Program Description
The Chief Human Resources Office (CHRO) oversees personnel-related policies to help agencies recruit, hire, and retain a skilled workforce. Through administrative rules and policies and collective bargaining agreements, CHRO defines and manages the state's human resources system based on equal employment opportunity and a merit-based compensation system. CHRO also provides executive recruitment services to state agencies and is responsible for implementing pay equity statutory requirements passed in 2017.

Revenue Sources and Relationships

CHRO's is primarily supported with assessments paid by state agencies. Legislative and judicial branch agencies and the Lottery Commission pay an assessment to use the Workday and other centralized employee databases.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Chief Human Resource Office totals $43.6 million Other Funds, which is an increase of $6.7 million, or 18.1%, from the 2021-23 legislatively approved budget. The budget includes the transfer of $347,961 Other Funds and the Director of Affirmative Action position (1.00 FTE) from the Office of the Governor to DAS for the Chief Cultural Change Officer and the Director of Affirmative Action to strengthen the collaboration of their work. Increases to the CHRO budget include:

- $797,364 Other Funds and three permanent positions (3.00 FTE) to address an increase in workload. Two positions are for the Classification and Compensation unit and one position is for the Workforce Development unit.
- $251,247 Other Funds and one position (1.00 FTE) to support the stabilization of the Workday Human Capital Management (HCM) Suite.
- $2.7 million Other Funds for software subscriptions for four Workday Human Resources and Training modules (People Experience, Extend, Prism, and People Analytics) to capture and analyze workforce data and track training and case management data for human resources investigations. This subscription cost is expected to be an ongoing biennial expenditure for the state.
- $1.4 million Other Funds for software subscriptions for the Workday Payroll Kainos Automated Testing Tool to ensure proper configuration and identify areas for improving configuration. This subscription cost is expected to be an ongoing biennial expenditure for the state.

Funding for Workday is budgeted across the Chief Human Resources Office and Enterprise Goods and Services. Workday expenditures fall into two categories: subscriptions for ongoing support of the Workday system and stabilization efforts to address the unanticipated issues experienced after go-live of the payroll system. For the 2023-25 biennium subscription costs across the two divisions are estimated at $8.3 million and stabilization expenses are estimated at $8.9 million.

Enterprise Information Services (EIS)

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	739,392	3,345,000	--	--
Other Funds	$84,223,525	$129,715,928	$130,960,379	$158,820,563
Federal Funds	--	--	--	15,708,570
Total Funds	**$84,962,917**	**$133,060,928**	**$130,960,379**	**$174,529,133**
Positions	118	141	139	142
FTE	115.18	140.50	139.00	142.00

Program Description

Enterprise Information Services (EIS) maintains policy and statewide information technology oversight functions. HB 3099 (2015) moved the direct authority over the State Chief Information Officer (SCIO) from the DAS Director and to the Governor, much like an agency head. HB 3099 directed the SCIO to oversee operations of the State Data Center; implement an IT governance structure; provide oversight on IT projects over $1 million; oversee quality assurance contracts; and supervise the Stage Gate review process for agency IT projects. With the passage of SB 90 (2017), IT security was added as an EIS direct support function.

EIS is comprised of several programs. The Enterprise Security Office is responsible for statewide information security policies and practices. IT Governance develops and implements state information technology strategies, rules, policies, standards, and processes. It provides support to the SCIO and IT-related governance bodies. Enterprise Shared Services supports statewide functions including the transparency website and E-Government program. The Geospatial Enterprise Office provides statewide geographic information systems coordination for state and local government to support enterprise-wide planning.

Revenue Sources and Relationships

Enterprise Information Services is funded primarily through assessment of state agencies based on the number of full-time equivalent positions. The 2017-19 legislatively adopted budget included a small amount of General Fund to hire a Chief Data Officer to maintain a central web portal for data publication. For 2019-21, the costs of the new program were included in the EIS assessment rather than supported by General Fund. Similarly, $1.4 million General Fund was approved by the Emergency Board in October 2020 to procure a Statewide Emergency Alert System. The General Fund was replaced with Other Funds from assessments in the 2021-23 budget as detailed below.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for EIS is $174.5 million, which is an increase of $41.5 million, or 31.2%, from the 2021-23 legislatively approved budget. The budget includes $9.9 million in reductions, including reducing services and supplies accounts to reflect historical underspending, savings realized by consolidating staff into existing state leased space, and the end of lease payments for IBM Telephony. Increases to the budget include the following:

- $24.6 million Other Funds and two positions (2.00 FTE) for ongoing monitoring and administration for 41,000 end-users' Windows Microsoft 365 (M365) desktop operating systems productivity software, including Word, Excel, PowerPoint, Outlook, Teams, OneDrive, OneNote. Included is funding for software licensing, new vendor contracts for operations and maintenance services, additional vendor services and software management tools, and two additional staff to support project oversight, coordination, and vendor management. This investment also funds the full implementation of Coreview, an application used to manage the operations of the state's Microsoft 365 tenants.
- $1.2 million Other Funds and $6 million ARPA carryover to continue the replacement of cybersecurity equipment (including firewalls, network load balancers, and security insertion switches) over five years old or following end of vendor support.
- $1.8 million Other Funds and $3.6 million ARPA carryover for contract services to enhance the efficiency of network security operations, support the integrated risk management program, and maintain Security Operations Center (SOC) infrastructure.
- $7.25 million Other Funds to continue the state's partnership with Link Oregon, a consortium working to build and maintain fiber-optic cable across the state.
- $1.6 million Other Funds for the state's share for participation in the U.S. Department of Agriculture (USDA) National Agriculture Imagery Program (NAIP). Participation allows state entities to procure high quality aerial imagery used for public safety, hazard mitigation and response, compliance monitoring, farm and forest management, habitat assessments, building/asset mapping, climate resiliency planning, and other agency operations.
- $1.5 million Other Funds and two limited duration Information Systems Specialist 7 positions (2.00 FTE) to migrate to a managed service model and plan for and migrate to the Modern UX project portfolio management tool. This will align Oregon's IT oversight and management processes, enabling cross-agency collaboration and project specific communication on a secure project and portfolio management cloud SaaS platform. Of the total, $1.3 million is anticipated to be for one-time costs and $208,000 for on-going vendor managed service licenses.

- $3.4 million ARPA carryover for professional services to produce a network and security modernization strategic roadmap.
- $2.8 million ARPA carryover for planning for the implementation of Microsoft 365 security tools.

EIS - Data Center Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	130,922,697	163,720,654	165,145,219	164,071,270
Total Funds	**$130,922,697**	**$163,720,654**	**$165,145,219**	**$164,071,270**
Positions	153	153	151	149
FTE	152.76	153.00	151.00	148.88

Program Description
Data Center Services (DCS) is overseen by Enterprise Information Services and the State CIO. DCS provides centralized computing and application services by leveraging new and existing IT assets to support numerous business operations across government. Data Center Services is organized into six service delivery sections:

- Administration/Plans and Controls – Provides administrative support for the division, including budgeting, strategic planning, financial, human resources, and project management.
- Service Solutions – Translates business needs into solution options to be built in-house or brokered.
- Engineering – Designs and builds the products and services delivered and supported by SDC.
- Service Delivery – Operates the shared SDC environment which includes computing hardware, operating systems, storage and backup solutions, production control, and enterprise and contracted applications.
- Technology Availability Management – Monitors, maintains, and supports the shared SDC environment to ensure the systems are available and maintains the equipment, systems, and services offered.
- Application Delivery – Responsible for Enterprise Applications and Internal DAS applications.

Revenue Sources and Relationships
DCS revenues come from usage fees and charges to state agencies and other customers and some assessments based on factors other than usage. The methodology, allocation, and structure of fees and charges are often fine-tuned to ensure service charges cover the full cost of services being delivered. Many rates depend on usage, and rates are determined by the type of data center service being used. Four major service areas are provided: computing (mainframe, midrange, and distributed systems), network, storage, and voice.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Data Center Services totals $164.1 million Other Funds, which is an increase of $350,616, or 0.2%, from the 2021-23 legislatively approved budget. The budget includes a $13.4 million Other Funds decrease by eliminating six positions and reducing network LAN IT and mainframe software expendable property, rent, facilities maintenance, professional services, and network telecommunications accounts. Increases to the budget include the following:

- $6.1 million Other Funds to replace network devices for Data Center Services that will reach five years old or that will no longer be supported by vendors. Of the total amount, $753,920 is for one-time costs and $5.3 million is ongoing.
- $6.5 million Other Funds to continue the establishment of a resilient site to provide agencies the capability of a second physical location for computing systems to operate and prevent service interruptions from both planned and unplanned outages. Funding will procure professional services to establish prioritization, orchestration, design and testing of high availability systems; fund ongoing

maintenance for additional perimeter firewalls; and fund ongoing maintenance for monitoring, management, orchestration and access control support tools. Of the total, $3.7 million is one-time and $2.8 million is ongoing.

- $1.4 million Other Funds and one permanent and three limited duration positions (3.88 FTE) to establish a cloud management platform within Data Center Services that will enable state agencies to utilize various cloud services. Of the total amount, $1 million is one-time and $351,182 is ongoing.

Enterprise Asset Management

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	4,000,000	--	300,000
Other Funds	100,923,616	112,532,832	112,281,799	120,348,566
Total Funds	**$100,923,616**	**$116,532,832**	**$112,281,799**	**$120,648,566**
Positions	199	202	202	212
FTE	198.50	201.50	201.50	207.38

Program Description

Enterprise Asset Management (EAM) provides services related to facilities management, lease negotiation and supervision, space planning, statewide fleet and parking, building operations and maintenance, landscape maintenance for agencies occupying state-owned space, and the Surplus Property program. Major acquisition, construction, capital improvement, and maintenance projects are planned and managed by EAM.

DAS owns and operates 44 buildings and nine agency-owned buildings totaling over three million square feet of property throughout Oregon. These facilities are occupied by 69 agencies and include general government offices, forensic crime and health labs, computer data centers, printing operations, and the Governor's residence. EAM provides construction project management for over $50 million in maintenance, upgrades, and new construction projects for DAS-owned buildings, as well as project management services to other agencies that own buildings. EAM also manages a portfolio of 480 private sector leases covering 4.9 million square feet of office, storage, and special use facilities and 300 DAS controlled state leases covering approximately 2.1 million square feet of office and storage space. These facilities are located across the state. Growth in state agencies and demand for new or improved facilities has a direct impact on EAM activities.

The Statewide Fleet Administration program acquires and maintains vehicles for state agency use. The Surplus Property program provides a central distribution point for agencies' surplus inventory and actively markets the sale of those items to other governments and the public.

Revenue Sources and Relationships

Enterprise Asset Management is funded from several sources, with its two major sources being uniform rent assessed on all tenant agencies and parking fees. Uniform rent includes a depreciation component that is deposited in a Capital Projects Fund, the balance of which is primarily used for the major rehabilitation of building space. EAM also receives funding from assessments on state agencies for the Capitol Mall landscaping, debt service, and general facilities coordination.

The Fleet Administration and Motor Pool operations are supported entirely through service fees, principally fleet rental charges, as well as parking fees. In addition, the unit charges agencies that own vehicles for fueling, service, and repair costs. State and Federal Surplus Property operations generate revenue from service fees. For state surplus items, the fees are based on the value of the items sold for agencies disposing of the surplus property. For federal surplus property, the service fees are charged to agencies acquiring the property based on the value of the property acquired.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Enterprise Asset Management totals $120.6 million, which is an increase of $4.1 million, or 3.5%, from the 2021-23 legislatively approved budget level. The budget includes a $7.2 million Other Funds decrease by eliminating one position and reducing travel, training, rent, utilities, and facilities maintenance accounts. Increases to the budget includes the following:

- $125,000 Other Funds to cover existing rent contracts for the Governor's Regional Solutions Center (GRSC) locations in LaGrande, Tillamook, Medford, Eugene, Bend, Portland, and Salem. GRSC is a collaborative organization that coordinates state resources throughout the state to maximize the effectiveness of the Governor's agenda, state agency projects, and regional priorities. Although the use of space is in flux with work-from-home schedules, GRSC and DAS Real Estate Services are rethinking the use of office and meeting space. However, some locations in the commercial market are currently in long-term leasing contracts that cannot be terminated in 2023-25.
- $750,000 Other Funds to accommodate increased expenditures due to maintenance and modifications of a new parking management system, deployment of credit card meters (merchant fees and ongoing network/software fees), enhancements for adding new parking options for accommodating hybrid workers, and other additional costs for contracting parking facility maintenance and repairs. Revenue for this work comes from parking fees.
- $720,266 Other Funds and eight permanent full-time positions (4.00) FTE to maintain the new North Valley Complex in Wilsonville which is scheduled for occupancy starting September 2023. These positions will be phased-in as tenants begin occupying the space and will include three custodians, two electricians, one Facility Maintenance Specialist, one plumber, and one Operations and Policy Analyst 2. The revenue for this service is from facilities rent paid by tenant agencies.
- $3 million Other Funds to support lab contracts for equipment, hardware and software maintenance and services at the North Valley Complex in Wilsonville. The revenue for this service is from facilities rent paid by tenant agencies.
- $9.3 million Other Funds carryover for DAS Fleet. Due to continued supply chain disruptions, DAS Fleet anticipates a delay in vehicle delivery necessitating payment in the 2023-25 biennium.
- $300,000 General Fund, on a one-time basis to DAS Enterprise Asset Management to contract for an independent audit of land purchases by the Oregon Liquor and Cannabis Commission from fiscal years 2019 through 2023.
- $669,112 Other Funds and one full-time position (0.88 FTE) approved in HB 3409 (2023) to develop a methodology and work plan for state agencies to implement a comprehensive assessment of energy use and greenhouse gas emissions of state-owned buildings. DAS will develop guidelines for sustainable design for all capital projects with a contract of over $1 million, and provide technical expertise to state agencies regarding construction methods, energy conservation, and other techniques to achieve the state's energy efficiency and greenhouse gas emissions reduction goals. Included in this amount is one-time expenditure limitation of $250,000 to develop sustainable design guidelines.

Enterprise Goods and Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	--	--	4,832,000
Other Funds	113,380,768	139,246,608	115,700,479	127,870,143
Other Funds (NL)	116,318,122	169,374,573	118,776,165	118,776,165
Total Funds	**$229,698,890**	**$308,621,181**	**$234,476,644**	**$251,478,308**
Positions	263	276	245	275
FTE	253.98	272.79	245.00	271.82

Program Description

Enterprise Goods and Services (EGS) consists of several programs focused on providing cost effective central services to state agencies. The Risk Management program purchases insurance for the state and is responsible for the management of the state's Self-Insurance Fund, commonly referred to as the Risk Fund, to maintain adequate balances for known and projected losses and to purchase excess coverage for the state's liability needs. The section investigates and resolves claims against the state and its employees and devises strategies that encourage agencies to minimize loss-related costs.

The State Procurement Office provides statewide purchasing and contracting direction, while working to leverage the buying power of state and local governments. The Publishing and Distribution program offers a full array of design, printing, finishing, metering, delivery, and mailing services. Financial Business Services (FBS) is responsible for the statewide payroll and financial systems, as well as the Datamart that provides reporting data for both systems. FBS also provides shared payroll services for client agencies and DAS.

Revenue Sources and Relationships

The revenue source for the Risk Management program's operating expenses is the Self-Insurance Fund. DAS Risk Management is responsible for the Self-Insurance Fund. Funds flow into the Self-Insurance Fund in the form of Risk Charges from participating state agencies, and flow out of the Insurance Fund to pay for claims, expenses and commercial policy premiums. The Self-Insurance Fund is comprised of several individual components including a workers compensation fund to cover injured workers, liability fund to cover tort claims and other lawsuits, property fund to cover damage to state property, and adult in custody injury fund to cover adults in custody injured performing assignments while incarcerated.

State agencies pay into the Risk Fund through an assessment based on a share of forecasted statewide claims costs. Statewide needs are developed from independent actuarial forecasts for workers' compensation, property, and liability costs and estimated legal costs. The amount and types of property owned, number of employees and their work, and types of programs agencies operate all contribute to the need for risk management services and products, principally insurance. For the last few biennia, policy decisions were made by the agency, policy makers, and customers to keep increases to risk assessment below the level needed to fully fund the actuarially estimated "Total Cost of Risk" (TCOR) and to "sweep" funds for use in the General Fund. These decisions compounded by tort reform limit increases, COVID claims, and a recent extraordinary number of large claims have left the Self-Insurance Fund underfunded.

The State Procurement Office operations are supported through charges for service and assessment, which is based on the number of agency positions. The Office also receives revenue through direct fees for services and purchasing, consulting, and training fees. Both Printing and Distribution and Financial Business Services are financed through charges for services.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Enterprise Goods and Services totals $251.5 million, which is a decrease of $57.1 million, or 18.5%, from the 2021-23 legislatively approved budget. Other Funds Nonlimited decreased by $50.6 million due to forecasted changes in payments from the state's Self-Insurance Fund for claims paid by Risk Management. Payments from the Risk Fund are not limited by the Legislature. To address concerns over the funding levels of the Risk Fund, the adopted budget includes a revenue only package which would increase DAS Risk charges by $50 million to increase the funded status of the Self-Insurance Fund. This change is expected to increase the risk assessment to agencies by approximately 23%. Although this increase in assessment will bring the fund's balance closer to the actuarial estimated Total Cost of Risk, the funded status of the Risk Fund is likely to be an ongoing issue.

Other Funds limited expenditures decreased by $11.4 million, or 8.17%, from the 2021-23 legislatively approved budget mostly from the phase out of $14.5 million associated with one-time investments for the Oregon Statewide Payroll System (OSPS) replacement project, costs associated with OregonBuys, and investments to support new agencies and Oregon's out-of-state workforce. The decrease also includes a $4.5 million reduction by eliminating five positions (5.00 FTE) and reducing professional contracts, non-essential travel, data center charges for Datamart storage and processing, and postage at Publishing and Distribution Services. Increases in Other Funds limited expenditures include the following:

- $645,349 and three permanent positions (3.00 FTE) to deliver services to new client agencies. Since 2019, 17 new agencies have become Shared Financial Services payroll customers. This funding will provide the Shared Financial Services payroll team with resources to keep up with the increasing workload.
- $2.2 million and authorization to make permanent four existing limited duration positions (4.00 FTE) to complete and execute the recommendations of the disparity study directed by the Legislature in the 2021 session to identify the barriers that exist for veteran-owned, woman-owned, minority-owned and small businesses that make it more difficult to compete for or perform state work. Included in this amount is $300,000 carryover for contract payments that were anticipated to be paid in spring 2023 but has been delayed to fall 2023. This investment is a companion to the Oregon Procurement Equity Program investment described below.
- $1.8 million and six positions (5.28 FTE) to begin the establishment of the Oregon Procurement Equity Program to embed an equity lens on all aspects of the state procurement process, including improving data collection and establishing an Oregon Procurement Equity website. The positions will focus on proactive outreach and engagement with firms eligible for Certification for Business Inclusion and Diversity. Included in this amount is funding for software and contracted services.
- $537,447 and authorization for three Payroll Analyst positions (3.00 FTE) for DAS Enterprise Goods and Services to provide Shared Financial Services with staffing resources to address increasing workload from new client agencies.
- $8.7 million and 17 positions (15.16 FTE) to address the problems experienced after go-live of the Workday Payroll system. The need for additional resources falls into four categories: (1) an extended project implementation timeline by potentially 18 months; (2) extensive manual corrections and clean-up of payroll data; (3) increased temporary workload for business process and system documentation, change management, communications, and agency support; and (4) increased ongoing workload due to certain processes being more complex and time consuming. This funding provides $2 million in ongoing expenditure limitation and $6.7 million in one-time Other Funds expenditure limitation for the following:
    - $46,055 ongoing Other Funds for the reclassification of 14 existing permanent full-time positions commensurate with changing responsibilities as the agency transition to Workday.
    - $2.2 million one-time Other Funds to fund 11 limited duration positions (9.28 FTE).
    - $1.7 million ongoing Other Funds to establish six full-time permanent positions (5.88 FTE).
    - $236,162 ongoing Other Funds for position related services and supplies.
    - $300,000 one-time Other Funds for Information Management System (IMS) software mainframe costs.
    - $4.2 million one-time Other Funds to extend professional contracts, including contracts with IBM and Workday to perform configurations and build integrations with other state systems, contracts for quality assurance and the NTT Project Director, as well as new contracts for forensic accounting analysis.
- $4.2 million for software subscriptions for the Workday Payroll Time Tracking and Core Financials modules and tax filing services. These subscriptions are expected to be an ongoing biennial expense.

Funding for Workday is budgeted across the Chief Human Resources Office and Enterprise Goods and Services divisions. Across the two divisions, 2023-25 subscription costs are estimated to total $8.3 million and stabilization expenses are estimated to total $8.9 million.

In addition to increases in Other Funds expenditure limitation, $4.8 million General Fund was appropriated for wrongful convictions compensation. This includes $4 million for payment of court-awarded compensation, reimbursement of reasonable attorney fees, and other costs associated with wrongful conviction claims. SB 1584 (2022) created a procedure for filing a petition for compensation for wrongful conviction and establishes criteria to file a claim against the State of Oregon to receive compensation at a statutorily set rate for every year spent in prison for wrongful conviction. An additional $832,000 General Fund is for the payment of legal services incurred as a result of SB 1584 (2022) and billed by the Department of Justice utilizing the 2023-25 Attorney General rate.

The following increases to the Enterprise Goods and Services budget were made in policy bills during the 2023 session:

- $181,355 Other Funds and one limited duration full-time position (0.63 FTE) to support the Task Force on Modernizing Grant Funding and Contracting pursuant to SB 606 (2023). The task force is required to examine how the state's granting and public contracting practices limit the wages of employees of nonprofit organizations and to make recommendations concerning state procurement and contracting practices.
- $215,287 Other Funds and one permanent full-time position (0.75) to establish and manage the Buy America waiver process pursuant to HB 3332 (2023).

Business Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	14,960,452	18,067,618	25,582,532	25,569,549
Total Funds	**$14,960,452**	**$18,067,618**	**$25,582,532**	**$25,569,549**
Positions	11	10	10	10
FTE	11.00	10.00	10.00	10.00

<u>Program Description</u>
The DAS Business Services Division coordinates agency-wide programs and internal processes and oversees the Department's finances and budget.

<u>Revenue Sources and Relationships</u>
The Division's revenue comes from service charges to the Department's internal divisions and its external customers. The other DAS divisions receive their revenue from state agencies through assessments and charges.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget for Business Services totals $25.6 million, which is an increase of $7.5 million, or 41.5%, from the 2021-23 legislatively approved budget. This increase is almost entirely due to increases in state government service charges paid by DAS. Included in the budget is a reduction of $441,944 Other Funds from the elimination of the MaritzCX surveying software platform and funding for planned tenant improvements to the DAS Executive Building.

Capital Improvements

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	4,570,484	5,017,028	5,227,743	4,954,969
Total Funds	**$4,570,484**	**$5,017,028**	**$5,227,743**	**$4,954,969**

Program Description
The Capital Improvements program pays for remodeling and renovation projects that cost less than $1 million.

Revenue Sources and Relationships
Capital improvement activities are funded from the Capital Projects Fund, which was established to support a variety of capital needs for state facilities, including replacing lighting, support electrical infrastructure for energy efficiency, replacing and upgrading elevator controls, and maintaining heating, ventilation, and air conditioning (HVAC) equipment. The fund is supported primarily by the depreciation component of uniform rent and service agreements.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget is slightly lower than the 2021-23 legislatively approved budget by $62,059, or 1.2%, due to a reduction in the tenant improvement budget. The budget should provide sufficient resources to maintain DAS owned buildings and facilities, including projects deferred in prior budget periods.

Capital Construction

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	77,049,925	169,750,000	--	49,750,000
Total Funds	**$77,049,925**	**$169,750,000**	--	**$49,750,000**

Program Description
The Capital Construction Program includes major remodeling, renovation, and new construction or acquisition projects costing more than $1 million in aggregate. Capital Construction expenditure limitation is usable for six years after approval to allow time for projects to be completed. During each biennium's budget development period, capital construction expenditure limitation is removed because it does not expire for six years whereas other expenditure limitation lasts only the two years of the biennium. This phase-out is why the current service level budget is always zero.

Revenue Sources and Relationships
Other Funds for capital construction can come from the Capital Projects Fund, which is funded through a portion of Uniform Rent charges, cash balances in programs, and from the sale of Article XI-Q bonds.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Capital Construction funds several deferred maintenance projects paid from the agency's rent program and Capital Projects Fund (no debt financing required). The approved Capital Construction projects include:

- $15.5 million for various deferred maintenance projects, including roof and facility envelope replacement and repair, upgrading lighting packages and supporting electrical infrastructure for energy efficiency and end-of-use lifecycle replacement, replacing and upgrading elevators, and continued implementation of modern HVAC equipment and controls replacement.
- $3.5 million for construction project planning for both currently funded projects and development of future Capital Construction projects.
- $6.5 million to continue expanding the availability of mothers' lactation rooms, wellness rooms, and gender-neutral bathrooms in state owned buildings.
- $5 million to replace outdated and unsupported building automation systems, highlighted as a security risk in a recent Secretary of State audit finding.

- $2.5 million to plan and implement security system upgrades, including designing and constructing secure lobby spaces, and creating layers of security within facilities affording employees and guests safe passage away from potential dangers.
- $11.25 million to develop standards, design and construct facility upgrades that best support the needs of agencies and constituents in a post-pandemic work environment, including developing drop-in spaces, more conference facilities, augmented infrastructure for healthy buildings and safe and secure spaces for state agencies to serve and interact with the public.
- $2 million for Climate Adaption and Net Zero Solutions to partner with the Energy Trust of Oregon and architectural/engineering firms to design innovative solutions to implement within the scope of DAS' major capital construction projects, enabling DAS to learn of and analyze return on investment around emergent technologies that promote a net-zero carbon footprint.
- $500,000 to collaborate with contracted electrical engineering firms and Portland General Electric to assess the Capitol Mall medium voltage infrastructure (servicing the Labor and Industry, State Library, Public Service Building, and Oregon Department of Transportation) in order to develop a project scope and budget for a future appropriation request.
- $3 million to accomplish the improvements, repairs, and electrical vehicle charging expansions that will be needed through 2027.

DAS Debt Service

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	18,043,036	24,841,482	37,474,624	36,057,484
Total Funds	**$18,043,036**	**$24,841,482**	**$37,474,624**	**$36,057,484**

<u>Program Description</u>
The Debt Service program unit includes only debt service payments for debt instruments sold to pay for construction and improvements to state buildings owned by DAS. Article XI-Q bonds are the primary debt instruments used by the state. Previously, certificates of participation (COPs) were used to finance debt, but an amendment to the Oregon Constitution passed in 2010 authorized the use of Q bonds to be sold to finance debt on state-owned facilities. Because XI-Q bonds are state general obligation bonds, interest rates are lower than the previously used COPs.

<u>Revenue Sources and Relationships</u>
Debt service payments for construction or improvement of DAS-owned facilities are funded out of the Capital Projects Fund, which was established to support a variety of capital needs for state facilities. The fund is supported primarily by the depreciation component of uniform rent and service agreements.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget for Debt Service totals $36.1 million Other Funds, which is an increase of $11.2 million, or 45.2%, from the 2021-23 legislatively approved budget. The adopted budget includes $35.5 million to support payments on previously approved debt and $558,034 for general obligation bonds that will be issued before the end of the biennium to pave the gravel Yellow Parking Lot in the Capitol Mall area and make site improvements related to storm water, landscaping and other site improvements. The project also includes a public electric vehicle charging component. The authorization of $4.1 million in Article XI-Q bonds was approved to finance $4 million of project costs and $50,000 for the cost of issuing the bonds.

Mass Transit Distributions

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds (NL)	20,586,276	27,091,179	24,716,507	24,716,507
Total Funds	**$20,586,276**	**$27,091,179**	**$24,716,507**	**$24,716,507**

Program Description
The Mass Transit Distributions budget structure reflects the distribution of mass transit assessments collected from state agencies based on the number of employees working in certain mass transit and transportation districts. The assessment is then sent to those districts to reimburse them for the benefits they provide to state government. These payments are not limited by the Legislature.

Revenue Sources and Relationships
The revenue available for Mass Transit Distributions come from state agency payments for mass transit taxes, which are collected by the state on behalf of certain transit districts.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Mass Transit Distributions totals $24.7 million and supports anticipated mass transit assessment collections and distributions based on budgeted employment numbers.

Bonds

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	423,939,220	461,395,348	501,758,583	501,758,583
Other Funds (NL)	38,829,838	--	--	--
Total Funds	**$462,769,056**	**$461,395,348**	**$501,758,583**	**$501,758,583**

Program Description
This budget structure includes expenditures for debt service and debt management costs on pension obligation bonds, which are scheduled to be fully repaid on June 1, 2027.

Revenue Sources and Relationships
Pension obligation bond debt service is supported by an assessment on Public Employees Retirement System employer payrolls. The debt service schedule was designed to increase payments over time as the bonds are repaid under the assumption that state revenues would increase over time as well.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget totals $501.8 million and is set at a level to cover debt service payments and treasury fees based on existing repayment schedules and budget projections. There is no change from the 2023-25 current service level.

Special Governmental Payments

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	224,218,103	652,891,065	7,880,289	107,654,589
Lottery Funds	22,324,970	26,603,175	51,259,606	53,025,384
Other Funds	171,939,344	218,977,759	--	109,442,907
Total Funds	**$418,482,417**	**$898,471,999**	**$59,139,895**	**$270,122,880**

Program Description
Special Governmental Payments is a budget structure for payments typically made for one-time special projects or legislative priorities.

Revenue Sources and Relationships
Revenues in this program unit come from a variety of sources identified in the agency's budget bill or other legislation. Other Funds are used for the expenditure of bond proceeds and Lottery Funds support debt service on Lottery Bonds issued for various non-state agency special projects. While the project funding for these bonds is one-time, the debt service payments remain until the debt is fully repaid. General Fund appropriations are for one-time grants for special projects.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Special Governmental Payments totals $270.1 million, which is a decrease of $628.3 million, or 69.9%, from the 2021-23 legislatively approved budget. This change is driven by the phase-out of one-time investments approved in 2021-23. The adopted budget includes one-time Other Funds expenditure limitation of $31 million for previously approved grants funded through the issuance of lottery bonds that are not expected to be fully disbursed by the end of the 2021-23 biennium. The budget also includes:

- $500,000 General Fund for the Oregon Public Broadcasting for operations support and $553,204 Lottery Funds for debt service on previously issued bonds.
- $750,000 General Fund for the Oregon Historical Society for operations support and $401,889 Lottery Funds for debt service on previously issued bonds.
- $1 million General Fund for the Oregon State Fair for operating support and $2.2 million for debt service on previously issued bonds.
- $250,000 General Fund for Home Share Oregon to provide grants to individuals participating in the home-sharing program to expand access to affordable housing, as part of a statewide series of investments related to housing.

An increase totaling $10.2 million General Fund was approved as part of the Oregon Worker Relief and Universal Representation programs. The increase includes:

- $2.4 million General Fund for deposit into the Universal Representation Fund and a corresponding one-time increase of $2.4 million Other Funds for disbursement from the Fund to Oregon Worker Relief, for legal services through the Universal Representation Program.
- $4.3 million General Fund for deposit into the Universal Representation Fund, and a corresponding one-time increase of $4.3 million Other Funds for disbursement from the Fund to Oregon Worker Relief, for services through the Universal Representation Program.
- $1 million General Fund for the Oregon Worker Relief Climate Change Fund to provide temporary financial assistance to agricultural workers who lose work or wages because of extreme heat or smoke. Oregon Worker Relief is required to report quarterly to DAS on the expenditure of funds.
- $500,000 for Oregon Worker Relief for payments to individuals who provide interpretation services of languages that are the national languages of small countries from which local populations have emigrated, languages spoken by small ethnic minority groups or languages spoken by Indigenous groups.
- $2 million for Pueblo Unido PDX to facilitate the creation of language proficiency evaluations for interpreters of Indigenous languages spoken in present-day Mexico and Central and South America.

A total of $3 million General Fund was approved as part of a statewide series of investments related to behavioral health. The investments funded in DAS include:

- $2.9 million to reimburse local governments, community mental health programs, and providers for payment of awards, settlements and expenses that are incurred in civil actions arising out of the provision of services and exceed insurance coverage available to the local government, community mental health program, or provider.
- $100,000 to study barriers that prevent local governments, community mental health programs and providers from obtaining insurance coverage for liability arising out of the provision of behavioral health services pursuant to ORS 161.365 and 161.370. A budget note was adopted directing DAS to report on recommended solutions and a timeline for how to insure against liability arising out of the provision of these services to restore fitness to proceed or other behavioral health services required under a court order.

A total of $10.95 million General Fund was approved as part of a statewide series of investments related to water and drought. The investments funded in DAS include:

- $1.2 million for the Mid-Columbia Water Commission to implement the Morrow and Umatilla Drought Relief Aquifer Recharge and Aquifer Storage and Recovery Project.
- $2 million for the Oregon Farmers Market Association to support local food system resilience through increased producer and community access, and mitigation of impacts such as closures due to drought.
- $500,000 for the Oregon Farmers Market Association to increase grants to non-profit farmers markets to cover costs associated with acceptance of Supplemental Nutrition Assistance Program benefits.
- $2.65 million for the Oregon Community Food System Network for grants for small-scale farms and ranches.
- $1.6 million for the Oregon Association of Water Utilities (OAWU) to build the Water System Training Center.
- $1.5 million for the Oregon Community Food System Network to develop food hubs and regional food system infrastructure.
- $1.5 million for the High Desert Partnership for infrastructures to deliver and spread water in Harney County.

A total of $9.15 million General Fund was approved as part of a statewide series of investments related to rural infrastructure. The investments funded in DAS include:

- $2.25 million for Baker County for infrastructure improvement projects (water, sewer, road, broadband).
- $1.9 million for the City of Philomath for the Philomath Frolic Rodeo (Skirvin Park) stands replacement and lighting upgrade.
- $2 million for Polk County for the Polk County Mental Health Treatment/Crisis Center.
- $1.5 million for the City of La Pine for the La Pine Incubator/Spec Building Project.
- $1.5 million for the City of Depoe Bay for the Depoe Bay docks and pilings restoration project.

A total of $3.75 million General Fund was approved for a grant to the Portland Opportunities Industrialization Center (POIC) for the following two purposes:

- $750,000 to increase the capacity of the Healing Hurt People program to reduce community violence.
- $3 million to provide grants to other nonprofit organizations for community violence prevention and intervention efforts. POIC must conduct an open process for other nonprofits to apply for grants and will report annually to DAS on the use of the grant funds and impact of the services provided.

A total of $42.3 million General Fund was approved for the following capital projects:

- $1.85 million for the City of Salem for the renovations of ARCHES and Wallace Early Learning Center sheltering service.
- $2.2 million for La Clinica Acute Care Clinic Expansion.
- $1 million for the Vietnam War Memorial Fund for the Vietnam War Memorial on the Oregon State Capitol Grounds.
- $2 million for the Oregon Center for Creative Learning for expansion of the Center.
- $2 million for City of Springfield for the reconstruction of Mill Street.
- $2 million for Klamath County for construction of the Klamath Crimson Rose facility
- $1.5 million for the Gresham-Barlow School District for School Based Health Center.
- $1 million for the Children's Cancer Therapy Development Institute for research expansion and equipment.
- $1.15 million for the Native American Youth and Family Center (NAYA) for campus improvements and building remodel.
- $143,000 for the Row River Fire Response for emergency communication equipment.
- $850,000 for the Boring, Oregon Foundation to purchase property for the community center to the Boring area of Clackamas County.
- $800,000 for the Wildflower Preschool & Child Care LLC for a new childcare facility in Myrtle Creek, serving South Douglas County.
- $450,000 for the East Salem Community Center for the El Campo Community Soccer Field.
- $375,000 for the City of Milwaukie for the Johnson Creek Solar Project.
- $225,000 for the City of Sheridan for homeless community shelters.
- $100,000 for the Boys & Girls Club of Western Treasure Valley for revitalizing and enhancing the safety of the clubhouse.
- $1.2 million for the Kellogg Rural Fire District for the construction of the Main Fire Station.
- $800,000 for the North Douglas County Fire & EMS to purchase property and to build student and volunteer housing for fire station.
- $175,000 for the East Salem Community Center for HVAC replacement.
- $50,000 for The Dalles Civic Auditorium for sound and lighting for theatre.
- $250,000 for Every Child Linn Benton (ECLB) to support ECLB programs to mobilize community to uplift children and families impacted by foster care.
- $1.25 million for the Community Action Program of East Central Oregon (CAPECO) to build a food bank center.
- $1.15 million for FOOD for Lane County to purchase land for Food Farm.
- $1.025 million for the Marion Polk Food Share for mobile pantries.
- $3.02 million for the Oregon Food Bank for warehouse expansion and renovation at multiple locations.
- $800,000 for ACCESS, Inc. of Medford for food bank warehouse expansion.
- $500,000 for Community Connection of Northeast Oregon for food bank equipment.

- $570,000 for Clatsop Community Action for food bank warehouse renovations and equipment upgrade.
- $520,000 for the Columbia Pacific Food Bank for equipment upgrade.
- $980,000 for Feed'em Freedom Foundation for campus expansion.
- $630,000 for Feeding Umpqua for warehouse renovation and truck purchase.
- $580,000 for Klamath Lake County Food Bank for warehouse renovation and paving.
- $780,000 for Linn-Benton Food Share for delivery vehicles and equipment upgrade.
- $790,000 for NeighborImpact for food bank equipment and operations funding.
- $600,000 for the Oregon Coast Community Action for a second warehouse to serve Curry County.
- $580,000 for the Yamhill Community Action Partnership for warehouse renovations and delivery vehicle.
- $530,000 for Food Share Lincoln County to purchase land and building of new warehouse for pantry.
- $690,000 for the Ella Curran Community Food Bank for community food bank expansion.
- $5,000 for the South Douglas Food Bank for HVAC Upgrade.
- $2 million for the City of Happy Valley for the Happy Valley Library Expansion.
- $5 million for Oregon Metro Transit-Oriented Development Program for the 82nd Avenue Property Acquisition Fund to secure land to build affordable housing and commercial spaces in preparation for future development.
- $137,000 for distribution to King City for the King City Park path repair and resurfacing project.

A total of $64.8 million Other Funds to facilitate the one-time disbursement of proceeds from 2023-25 lottery bond sales to fund numerous special projects across the state. Debt service payments on all projects described below are estimated to be $1.4 million Lottery Funds for the 2023-25 biennium and $101.2 million over the life of the bonds. The approved projects and Other Funds amounts, including the cost of issuance, are:

- $7.4 million for the Willamette Falls Locks Authority for the Willamette Falls Locks and Canal Restoration.
- $3 million for the City of Redmond for the Redmond Public Safety Center.
- $2.8 million for the Serendipity Center, Inc. Therapeutic School for Portland campus expansion.
- $5.1 million for the Lane County for the Behavioral Health Stabilization Center.
- $5 million for the Homes For Good Housing Agency for the Naval Reserve Affordable Housing and Early Learning Center project in Eugene, Oregon.
- $4.1 million for the City of Oregon City for the Main Street Connective Corridor Project Phase II: 10th Street to 15th Street.
- $4.1 million for Jefferson County for the Central Oregon Community College Early Childhood Education and Health Careers Center.
- $4.1 million for the Latino Network for the La Plaza Esperanza - Service Hub for Portland and Gresham residents.
- $4.1 million for the Family Justice Center of Washington County for the Family Peace Center of Washington County.
- $5.1 million for the Washington County for the Center for Addictions Triage and Treatment (CATT).
- $5.1 million for the Port of Portland for seismic strengthening of the soil under Marine Terminal 2 to accommodate construction of the Building Innovation Hub.

- $5.1 million for Benton County for the Benton County Emergency Operations Center.
- $5.1 million for the City of Redmond for infrastructure improvements to support construction of the Northpoint affordable housing project in Redmond.
- $5.1 million for the Eugene Civic Alliance for the Civic Park project.

The following additions to the Special Governmental Payments budget were made in policy bills during the 2023 session:

- $5 million in one-time General Fund to provide grants to councils of governments and economic development districts to support housing and community development capacity within cities, counties, and the nine federally recognized tribes in Oregon. This funding was part of a statewide series of housing investments approved in HB 3395 (2023)
- $4.2 million in one-time General Fund as part of a statewide series of investments related to water and drought approved in HB 2010 (2023). The funding for DAS is approved for the following disbursements:
    - $850,000 for soil and water conservation districts in Crook County for treatment of western juniper.
    - $325,000 for soil and water conservation districts in Jefferson County for treatment of western juniper.
    - $125,000 for soil and water conservation districts in Klamath County for treatment of western juniper.
    - $125,000 for soil and water conservation districts in Deschutes County for treatment of western juniper.
    - $300,000 for soil and water conservation districts in Harney County for treatment of western juniper.
    - $125,000 for soil and water conservation districts in Lake County for treatment of western juniper.
    - $300,000 for soil and water conservation districts in Wheeler County for treatment of western juniper.
    - $85,000 to provide a grant to an organization formed pursuant to an intergovernmental agreement that will coordinate recipient activities and coordinate efforts to identify and apply for funding for western juniper treatment or other water conservation projects.
    - $1 million to the High Desert Partnership to design and implement projects on the Silvies River Floodplain, Donner und Blitzen River Floodplain, Malheur Lake, and in the Malheur National Wildlife Refuge that restore or maintain wet meadow, wetland, and lake conditions. Funds are also to be used for research, public engagement, and support of collaborative partnerships related to these projects.
    - $1 million to contract with the Oregon Association of Water Utilities to address the needs of small community water systems. The Oregon Association of Water Utilities is to report to the interim Committees of the Legislative Assembly related to water by December 31, 2024.
- $11.2 million in one-time General Fund was appropriated to DAS in HB 3410 (20023) as part of a statewide series of investments related to regional rural revitalization, for the following distributions:
    - $10 million for a grant to the Regional Rural Revitalization Strategies Consortium to provide planning, infrastructure, capital equipment, and predevelopment costs for housing, to award grants and loans to capacity builders and housing developers and to enter public-private partnerships for the development of housing.

- $1.2 million for a grant to the Oregon Coast Visitors Association to fill gaps in the regional food system, develop a geographic information systems tool for food systems, and support existing businesses connected to these projects.

Federal COVID-19 Support Payments

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	--	6,143,428	--	--
Federal Funds	1,262,480,066	3,229,461,505	--	156,795,418
Total Funds	**$1,262,480,066**	**$3,235,604,933**	**--**	**$156,795,418**
Positions	--	11	--	--
FTE	--	6.09	--	--

Program Description

This program unit was created to track expenditures for federal Coronavirus Relief Funds and American Rescue Plan Act (ARPA) payments received to address to the COVID-19 public health emergency. This program unit will not include ARPA expenditures made by DAS that are directly related to the mission of the Department, such as ARPA expenditures made by the Chief Financial Office necessary to advise and track all state ARPA expenditures occurring in Oregon. All federal funds for general state support from the various federal spending bills are received by DAS. DAS then expends these monies as federal funds. If a different entity is responsible for final expenditures, that agency receives Other Funds expenditure limitation, with DAS accounting for this pass-through using federal funds expenditure limitation to send the money to the receiving agency.

Revenue Sources and Relationships

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020, had an estimated cost of more than $2 trillion and included funding for a wide variety of programs to assist businesses, individuals, corporations, health service providers, and state and local governments. The Coronavirus Relief Fund is one part of the CARES Act that provided $150 billion to state, local, and tribal governments to address costs related to the COVID-19 public health emergency. Of the $150 billion, $8 billion was allocated for tribal governments, $3 billion for territories, and $139 billion for states based on population data. Local governments with a population of at least 500,000 were also eligible to request a direct payment from the U.S. Treasury. The state share of the $139 billion is reduced by the amount received by an eligible local government within that state. The Coronavirus Relief Fund also had a small-state minimum of $1.25 billion. Oregon's share of the Coronavirus Relief Fund was estimated at $1.64 billion. Three local governments within the state received direct payments from the U.S. Treasury totaling about $247 million (City of Portland, $114.2 million; Washington County, $104.7 million; Multnomah County, $28.1 million), leaving approximately $1.39 billion for the state. All state Coronavirus Relief Fund payments were received by DAS initially and expended as federal funds.

Almost all the Coronavirus Relief Fund funding was expended by the end of December 2020 because that was the original deadline for expenditure. This deadline was later extended to the end of 2021. Because of this extension, the 2021-23 legislatively adopted budget contained $65.5 million in Federal Funds expenditure limitation for the remaining monies from the CARES Act Coronavirus Relief Fund. Of this total, $16.3 million was approved for carryforward of monies provided for COVID-19 vaccination incentives, including monies provided for County Vaccination Incentive grants. The remaining $49.2 million represents the Coronavirus Relief Fund monies projected to be either uncommitted or unspent at the end of the 2019-21 biennium. This amount was transferred to the Department of Corrections for expenditures and activities to respond to the COVID-19 pandemic.

The second major legislation containing general state support to address the public health emergency created by the COVID-19 pandemic is the American Rescue Plan Act. ARPA was signed into law on March 11, 2021, and included $350 billion of Coronavirus State and Local Fiscal Recovery Funds for eligible state, local, territorial, and

Tribal governments to respond to the COVID-19 public health emergency and its economic impacts. ARPA provided an additional $10 billion to establish the Coronavirus Capital Projects Fund for state, territorial, and Tribal governments to carry out critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the COVID-19 public health emergency. Oregon's allocation of ARPA State Fiscal Recovery Funds totaled $2.648 billion with an additional Capital Projects Fund allocation of $156.8 million. A total of $1.505 billion was also allocated to local governments in Oregon and, with the exception of non-entitlement units of local governments, Local Fiscal Recovery Funds were distributed directly from U.S. Treasury to cities and counties. Non-entitlement units of local governments, or cities with a population of less than 50,000, receive distributions of Local Fiscal Recovery Funds through the state. Federal Funds expenditure limitation of $248.4 million was approved in SB 5547 (2021) for DAS to pass-through Local Fiscal Recovery Funds to non-entitlement units of local government in Oregon.

The U.S. Treasury adopted an interim final rule in May 2021 outlining the following eligible uses for costs incurred from March 3, 2021, through December 31, 2024:

- Supporting public health services and programs that mitigate and prevent the spread of COVID-19. These include public health and safety staff time spent on COVID-19 related work, new behavioral healthcare if needs have been exacerbated by the pandemic, vaccination programs, and telemedicine.
- Addressing the pandemic's negative economic impacts through assistance to households, unemployed workers, small businesses, nonprofits, and impacted industries; contributions to the State's Unemployment Insurance Trust Fund; rehiring public sector staff; and implementing economic relief programs.
- Serving the hardest hit communities and families through programs, services, or other assistance that address health and/or educational disparities, invest in housing and neighborhoods, and promote healthy childhood environments.
- Providing premium pay for essential workers in critical infrastructure sectors. Premium pay of up to $13 per hour on top of wages, not to exceed $25,000 per eligible worker may be offered and should be prioritized to compensate low-income workers.
- Investing in water, sewer, and broadband infrastructure to improve access to clean drinking water, support wastewater and stormwater infrastructure, and expand broadband access.
- Providing specified government services to the extent of lost revenue, calculated using a specified formula based on general revenue as defined in the guidance and historical financial information.

The U.S. Treasury guidance also specifies that ARPA State Fiscal Recovery Funds may not be used to reduce taxes; support non-federal match requirements; pay for legal settlements or judgments; make a deposit into a pension or rainy-day fund; or pay for previously incurred debt. DAS's 2021-23 legislatively adopted budget included $2.63 billion in ARPA Coronavirus State Fiscal Recovery Funds. Federal Funds expenditure limitation was approved for DAS to transfer ARPA funds to state agencies ($1.95 billion); provide $4 million to each Senate District and $2 million to each House District for project grants identified in the HB 5006 (2021) budget report ($240 million); and a grant to the Pendleton Round Up Foundation to partner with Blue Mountain Community College on the second phase of the Facility for Agricultural Resource Management project ($3 million). A total of $1.95 billion Other Funds expenditure limitation was established in state agencies' legislatively adopted budgets to expend ARPA funds transferred from DAS for programs, services, and investments supporting the state's pandemic response and recovery.

The 2021-23 budget also included $120 million of ARPA Capital Projects Funds. Federal Funds expenditure limitation was established for DAS to transfer the funds to the Oregon Business Development Department (OBDD) for deposit in the Broadband Fund. Corresponding Other Funds expenditure limitation was established for OBDD to provide grants through the Oregon Broadband Office for the planning and development of broadband service infrastructure.

The DAS 2021-23 legislatively approved budget included $3.2 billion of Federal Funds expenditure limitation to fully allocate the remaining balances of the ARPA State Fiscal Recovery Fund, ARPA Capital Projects Fund, and CARES Act Coronavirus Relief Fund. The $572.3 million Federal Funds expenditure limitation increase from the 2021-23 adopted budget included the following:

- $309.3 million from the ARPA State Fiscal Recovery Fund for DAS to transfer to state agencies. Included in this amount is $123.1 million for Future Ready Oregon workforce development programs established in SB 1544 (2022). Also included was $2 million for distribution to the Special Districts Association of Oregon Grant Program as part of the rural infrastructure package.
- $105 million from the ARPA State Fiscal Recovery Fund for distribution to the Housing and Community Services Department to support the Oregon Emergency Rental Assistance Program.
- $398,139 from the ARPA State Fiscal Recovery Fund for DAS Enterprise Information Services Division to enhance the functionality of the agency's Workday human resources information system to support case management and compliance needs.
- $26.3 million from the ARPA State Fiscal Recovery Fund for DAS Enterprise Information Services Division to expend on several enterprise-wide broadband and cybersecurity investments.
- $36.8 million from the ARPA Capital Projects Fund for distribution to OBDD for deposit in the Broadband Fund for grants to increase broadband internet availability across the state.
- $82.5 million from the CARES Act Coronavirus Relief Fund for distribution to the Department of Human Services ($7.8 million) and the Department of Corrections ($74.6 million) for COVID-19 pandemic response activities.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Federal COVID-19 Support Payments includes $156.8 million in Federal Funds expenditure limitation for the purpose of transferring available ARPA Capital Projects Funds to OBDD for broadband infrastructure programs. Funding that was anticipated to be transferred in the prior biennium was not transferred due to the statutorily defined uses of funds deposited in the Broadband Fund conflicting with federal guidance on the expenditure of the ARPA Capital Projects monies. These conflicts were resolved with the adoption of HB 3201 (2023), which contains provisions aligning the stated uses of the fund with federal guidance.

ADVOCACY COMMISSIONS OFFICE

Analyst: Wilson

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	650,810	1,692,600	1,387,078	2,077,280
Other Funds	1,012	9,841	10,253	10,253
Total Funds	**$651,822**	**$1,702,441**	**$1,397,331**	**$2,087,533**
Positions	3	7	4	7
FTE	2.50	5.89	4.00	7.00

Overview

The Oregon Advocacy Commissions Office (OACO) was established in 2005 to provide coordinated administrative support to four advocacy commissions: the Commission on Asian and Pacific Islander Affairs, Commission on Black Affairs, Commission on Hispanic Affairs, and Commission for Women. The commissions serve as liaisons between minority communities and government entities and work to establish economic, social, legal, and political equality in Oregon. OACO provides equity-focused policy research and analysis, staffs commission meetings, coordinates the legislative advocacy of the commissions, and develops and manages collaborations with community stakeholders, policy makers and formal research partners on behalf of the commissions.

Each of the four commissions include nine commissioners appointed by the Governor and confirmed by the Senate and two Legislators appointed by the Senate President and Speaker of the House. The OACO Administrator is appointed by the chairpersons of the four commissions and the Governor. OACO contracts with the Department of Administrative Services for budget and accounting support.

Revenue Sources and Relationships

Agency operations are primarily funded with General Fund. OACO receives some Other Funds revenues from donations, which are dedicated to the commission to which the donation was made. Donations have decreased since the OACO's early years, and Other Funds currently account for less than 1% of the agency's budget.

Budget Environment

OACO supports the work of the individual commissions by providing all administrative functions, including coordinating meetings and speakers, preparing reports and media releases, partnering with stakeholder groups, providing information and referrals for the public and elected officials, managing distribution lists, and maintaining commission websites. OACO also researches potential legislative concepts, works with the Governor's Office and sponsoring legislators to draft bills, tracks legislation, provides customized reports to the commissions on bills, helps the commission chairs write testimony on bills, coordinates commission votes on bill support, and serves as the registered lobbyist for the commissions. The current staffing of OACO is limited and challenged to meet all its statutory responsibilities.

The agency has undergone a complete turnover in staff since early 2021. This has led to changes, including the agency's first real effort in strategic planning, improvements to internal processes, and ongoing work to prioritize agency efforts and ensure commissioners are equipped to fulfill their responsibilities. The agency is currently working on revising required reports each commission must make to the Governor and Legislature. A Public Affairs Specialist 2 position added in 2021 is working to increase community partner outreach and fundraising efforts.

HB 4052 (2022) required OACO to form affinity group task forces to develop recommendations on health equity programs for people of color, indigenous communities, and members of recognized tribes across state government. The task forces were to discuss and research the specific needs of their communities and develop recommendations on the resources necessary to address those needs and the health inequities faced by the communities. HB 4052 required the task forces to make a recommendation as to whether their work should continue past June 30, 2023. HB 2925 (2023) extended the work of the task forces until a final report is due to the Legislature by June 30, 2026, with an interim report of the development of recommendations due by June 30, 2024. The 2021-23 budget included three limited duration positions to assist in the work of the task forces; these positions are continued as limited duration in the 2023-25 budget.

Legislatively Adopted Budget

The 2023-25 legislative adopted budget for OACO totals $2.1 million. The budget is $385,092, or 22.6%, higher than the 2021-23 legislative approved budget. The only significant budget action was the continuation of the three limited duration positions initially established in 2021-23 at a cost of $690,290 General Fund. These positions will continue working with the affinity group task forces described above.

EMPLOYMENT RELATIONS BOARD

Analyst: To

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	2,816,655	3,350,085	3,493,480	3,339,446
Other Funds	2,330,083	2,649,723	2,763,130	2,652,273
Total Funds	**$5,146,738**	**$5,999,808**	**$6,256,610**	**$5,991,719**
Positions	13	13	13	13
FTE	13.00	13.00	13.00	13.00

Overview

The mission of the Employment Relations Board (ERB) is to promote workplace stability and reduce workplace disputes concerning labor relations that may disrupt public services. ERB provides four main services to help all of Oregon's public employers, some smaller private-sector employers, and labor resolve their disputes: (1) labor appeal cases; (2) labor mediation; (3) union representation elections; and (4) contested case hearings.

The agency is comprised of the Board, the State Conciliation Service, and the Hearings Office. The three-member Board is a neutral quasi-judicial body that acts as the state's labor appeal court for labor and management disputes within state and local government for an estimated 3,000 employers and 250,000 employees. The Board is appointed by the Governor and approved by the Senate. The Board Chair, designated by the Governor, serves as the administrator of the agency. Headed by the State Conciliator, the State Conciliation Service division mediates labor relations disputes and provides labor-management and bargaining training to employers and employees. Serving as the point-of-entry for contested case and representation filings, the Hearings Office conducts hearings on contested cases and issues recommended orders.

ERB is responsible for administering the collective bargaining law that covers public employees of the State of Oregon and its cities, counties, school districts, and other local governmental units, including special districts. The agency also administers the State Personnel Relations Law, which creates appeal rights for certain personnel actions regarding non-union state employees who believe they were treated unfairly in the workplace. Finally, ERB is responsible for private sector labor-management relations law, which addresses collective bargaining for private sector employers who are exempt from federal law under the National Labor Relations Act.

Revenue Sources and Relationships

ERB is funded with 56% General Fund and 44% Other Funds. ERB receives General Fund revenue and charges fees to support labor relations functions conducted on behalf of local government while state government-related activities are supported by an Other Funds assessment on state agencies. When funding is compared to caseloads, using a five-year average from fiscal year 2019 through 2023, local government represented 82.8% and state agencies 17.2% of cases. A legislative workgroup convened in 2011 evaluated local government funding models and was unable to identify a viable alternative to fund local government cases other than state General Fund.

Approximately 36.7% of the agency is funded through the assessment on state agencies which is based on the number of covered employees, including non-unionized employees from the executive, legislative, and judicial branches, as well as temporary employees. The employer pays the assessment. For the 2023-25 biennium, the projected state agency assessment revenue is $2.1 million, which is based on 40,000 covered employees and a $2.18 assessment per employee per month, a decrease of $0.22 from the 2021-23 biennium. State agency assessment revenue has a General Fund component since some agencies use General Fund to pay their assessment.

The agency's Other Funds Fee revenue consist of three types of fees:

- Conciliation Services fees – established in statute for services to local government employers and employee labor organizations for each mediation addressing labor contract issues. ERB may charge $1,000 for the first two mediation sessions, up to $625 for the third and fourth mediation sessions, and $1,000 for any additional sessions. Most mediations rarely go beyond two sessions. A statutory application fee for inclusion on the State Conciliation Service's list of qualified arbitrators is $100 and the annual fee to remain on the list of qualified arbitrators is $150. An estimated $255,700 in revenue is anticipated from these fees for the 2023-25 biennium.
- Unfair Labor Practice Complaint fees – statutory fees for filing complaints ($300) and to answer the complaint ($300). The projected revenue in 2023-25 from this source is approximately $38,000, based on trends in recent years.
- Miscellaneous – fees for a variety of services, including fees for copies of Board Orders at $0.25 per page, certified copies of transcripts at $1.50 per page, recordings of hearings at $15 for the first compact disk and $10 for each subsequent disk. Because much of this information is now available electronically to the public at no charge on the agency's website, projected revenue from this source is estimated at $1,973.

Overall, ERB expects to have $3.4 million in available Other Funds revenue to support its legislatively adopted Other Funds budget of $2.7 million. This includes a beginning balance of $1 million and a projected ending balance of $756,253, which represents a little over six months of operating reserves.

Budget Environment

In the fall of 2020, the agency completed with contractual support an information technology project to design, develop, and host an electronic case management application system that included electronic filing and payment features. Almost all case filings have transitioned to electronic filing. The system has recently been modified to include the ability of users to use keywords to search Board orders. Electronic case filing has reduced the amount of paper that had to be processed and stored by the agency and has made it easier for the agency to provide prompt responses to any public records request. The agency continues to work with its users and vendor to improve the system, including improving the search function capability for Board orders.

The agency is now located in the General Services Building on Ferry Street in Salem. Moving to this new building allowed ERB to reduce rental expenses, while offering improved group spaces for agency business, including more built-in technological features and available conference rooms to conduct in-person hearings and host mediations and trainings.

Economic fluctuations affect the agency's workload. The timely resolution of cases depends on many factors, including the volume and complexity of cases, employee turnover or Board vacancies, and budget constraints. The complexity of unfair labor practice complaints has increased, requiring more time to resolve. Over the last five years, the Board averages 13 state and 70 local government contested cases, and 16 state and 65 local mediation cases. For fiscal year 2023, the agency had nine state and 65 local government contested, and 27 state and 67 local mediation cases. Public sector caseloads for ERB are cyclical and influenced by the negotiation of multi-year labor contacts. Private sector cases are infrequent (one in 2002 and 2011) because all but the smallest of companies with union representation fall under the jurisdiction of the federal government's National Labor Relations Board.

In 2021, the Legislature enacted HB 2930 which requires ERB to appoint an arbitrator (rather than standard agency practice of providing a list of arbitrators that the parties select from) in arbitration proceedings concerning alleged misconduct by law enforcement officers. The agency held public meetings with stakeholders and formed a special Rules Advisory Committee of affected stakeholders to promulgate rules to comply with the statute. Those rules went into effect January 2022. The agency has been able to absorb this added responsibility with current staffing and resources.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for ERB is $6 million total funds, which includes $3.3 million General Fund, $2.7 million Other Funds, and 13 positions (13.00 FTE). The total funds budget represents a decrease of $8,089, or 0.1%, from the 2021-23 legislatively approved budget. The budget includes a $215,068 total funds reduction in facilities rent expenditures to reflect savings realized from moving the agency from a privately owned building in October of 2022 to a state-owned building. The budget also includes an increase of $29,010 total funds to cover the reclassification of the State Conciliator and Election/Mediation Coordinator positions.

Administration

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,420,229	1,756,505	1,829,854	1,659,567
Other Funds	1,246,778	1,377,608	1,434,744	1,311,130
Total Funds	**$2,667,007**	**$3,134,113**	**$3,264,598**	**$2,970,697**
Positions	5	5	5	5
FTE	5.00	5.00	5.00	5.00

Program Description
The three-member Board acts as an appeal court for labor and management disputes within state and local governments. The Board is appointed by the Governor and responsible for issuing final agency orders in declaratory rulings, contested case adjudications of unfair labor practice complaints, representation matters, and appeals from state personnel actions. Board orders may be appealed to the Oregon Court of Appeals.

The Board Chair acts as the agency's administrator and is assisted by an office administrator and a legal secretary. This program unit also includes the day-to-day administration of the agency, including budgeting, payroll, information technology, reporting, administrative rules, and supervision of staff. ERB contracts with the Department of Administrative Services – Shared Client Services for additional support services.

Budget Environment
In most cases, the Board does not receive case filings or issue initial orders but acts on recommended orders written by Administrative Law Judges (ALJ) by either issuing a cover order for those cases without objection or issuing an order for those cases to which the parties have objected to the ALJ decision. Certain representation cases, as well as expedited cases and declaratory rulings, are handled by the Board in the first instance.

Over the last five years, the Board averages 46 case filings each fiscal year with 53 Board orders issued and an average of five appeals to Oregon Board of Appeals. For fiscal year 2023, case filings totaled 43 with 45 Board orders issued and seven Board orders were appealed to the Oregon Court of Appeals, which is about 15.6% of the Board's 45 issued orders for that year. On average, 9.1% of the Board's orders are appealed to the Oregon Court of Appeals and less than 1% are reversed or remanded back to ERB for reconsideration. Parties, rather than ERB, argue their case in front of the Court of Appeals, like an appeal of a circuit court decision.

Beginning with the 2015-17 biennium, ERB began managing a NICUSA, Inc. information technology contract to design, develop, maintain and host an electronic case management system (phase-I) and then add a web-based electronic filing and electronic payment capability (phase-II). The project was completed in the fall of 2020. The vendor charges an annual licensing and hosting fee estimated at $75,000 per-year, which is supported in ERB's budget.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Administration program totals $3 million, which includes $1.7 million General Fund, $1.3 million Other Funds, and five positions (5.00 FTE). The total funds budget represents a decrease of $163,416, or 5.2%, from the 2021-23 legislatively approved budget.

Mediation Division

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	681,583	757,939	762,254	775,414
Other Funds	530,607	600,560	604,197	614,536
Total Funds	**$1,212,190**	**$1,358,499**	**$1,366,451**	**$1,389,950**
Positions	4	4	4	4
FTE	3.50	3.50	3.50	3.50

Program Description
The Mediation Division includes the Conciliation Services Office, which is comprised of the State Conciliator, two mediators, and a part-time (0.50 FTE) Mediation Coordinator position. The Office provides mediation and conciliation services to resolve a variety of disputes, including those related to collective bargaining, contract grievances, unfair labor practice allegations, State Personnel Labor Relations Law appeals, and representation matters. The program sponsors and participates in a biennial Arbitrator Panel Conference, disbursing information to panel members on case law and legislative changes. The program provides training on methods of alternative dispute resolution, collective bargaining, labor-management cooperation, and related issues. The contract mediation services that are provided are mandatory. Training and other mediation services are not mandatory.

In addition, the program is responsible for maintaining a list of qualified arbitrators and providing related services and information. This includes processing arbitrator applications, handling questions from arbitrators and parties, responding to concerns and complaints from and about panel members, a biannual review of panel member selection rates, suspension or removal of arbitrators, processing requests for arbitration panels, maintaining a library of arbitration awards, and publishing interest arbitration awards on ERB's website.

Budget Environment
The Conciliation Services Office averages 81 cases for mediation services per fiscal year over the last five years, of which 65 are local cases and 16 are state cases. For fiscal year 2023, there were 94 cases, of which 67 were local cases and 27 were state cases. On average, it takes 26 days for a mediator to become available after the submission of a request. For fiscal year 2023, the average number of days following a request for mediation that a mediator was available was 31 days. The agency's mediation/conciliation service resolved an average of approximately 96% of contract negotiation disputes for strike-permitted employees and 94% for strike-prohibited employees. For fiscal year 2023, the agency resolved 97% of contract negotiation disputes for strike-permitted employees and 95% for strike-prohibited employees.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Mediation Division totals $1.4 million, which includes $775,414 General Fund, $614,536 Other Funds, and four positions (3.50 FTE). The total funds budget represents an increase of $31,451, or 2.3%, from the 2021-23 legislatively approved budget.

Hearings Division

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	714,843	835,641	901,372	904,465
Other Funds	552,698	671,555	724,189	726,607
Total Funds	**$1,267,541**	**$1,507,196**	**$1,625,561**	**$1,631,072**
Positions	4	4	4	4
FTE	4.50	4.50	4.50	4.50

Program Description

The Hearings Division is comprised of three Administrative Law Judges, one Hearings Assistant, and one part-time Elections Coordinator. The ALJs adjudicate unfair labor practice complaints filed by state and local government or labor organizations, appeals filed by state management and unrepresented classified employees, as well as contested representation (election) matters. ALJs have resumed traveling to the site of the dispute, if outside of Salem. Following the hearings, the ALJs issue "proposed" decisions. All proposed decisions are forwarded to the Board for review and the issuance of a final order. The Board does not have to concur with the ALJ-proposed decision. Parties who disagree with the ALJ-proposed decision have the right to object to the decision which will then be argued before the Board. Parties can appeal the Employment Relations Board's final orders to the Oregon Court of Appeals. Decisions by ALJs do not establish legal precedent; however, final Board orders do. The Hearings Assistant (1.00 FTE) supports planning, development, promotion, and evaluation of training and education programs, including statewide conferences and meetings. The part-time (0.50 FTE) elections coordinator is responsible for conducting elections regarding employee union representation and certifying the results. The program also processes petitions involving union representation and composition of bargaining units.

Budget Environment

Over the last five years, ALJs have averaged 75 cases per fiscal year and 92 days until an ALJ-proposed order is issued. For fiscal year 2023, ALJs received 74 cases and issued a proposed order in 86 days. Over the last five years, the agency averaged 26 representation (election) cases per fiscal year and cases that did not require a hearing were resolved within 38 days, on average. In 2023, the agency had 25 representation (election) cases. Cases that did not require a hearing were resolved within 38 days, on average.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Hearings Division totals $1.6 million, which includes $904,465 General Fund, $762,607 Other Funds, and four positions (4.50 FTE). The total funds budget represents an increase of $123,876, or 8.2%, from the 2021-23 legislatively approved budget.

FACILITIES AUTHORITY

Analyst: Campbell

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	--	--	3,613,925
Other Funds	--	--	--	3,613,925
Total Funds	**--**	**--**	**--**	**$ 7,227,850**
Positions	--	--	--	--
FTE	--	--	--	--

Overview

The Oregon Facilities Authority (OFA) helps nonprofit organizations access low-cost financing for capital projects. OFA was created by the Oregon Legislature in 1989. Since inception, it has issued over $5 billion in tax exempt conduit revenue bonds. The interest on these bonds is exempt from federal income tax and state personal income tax. Because the interest on these bonds is tax exempt, qualified organizations can achieve lower borrowing costs by partnering with OFA to finance their capital projects.

The adoption of HB 2001 in the 2023 legislative session funded and directed OFA to provide $3 million in financing, including refinancing, to local governments or housing developers for moderate-income housing predevelopment costs. Financing of up to $500,000 may be provided for a term of at least 25 years at 3% or less for projects with a total cost of up to $40 million or 80 residential units. The loans may not exceed 75% of the project's total predevelopment costs unless the project will be restricted to households with incomes equal to or less than the area median income.

Revenue Sources and Relationships

Prior to the 2023 legislative session, the Oregon Facilities Authority was not a standalone agency as its funding was part of the State Treasurer's budget. With the passage of HB 2001, OFA was established as a distinct agency budget structure. The agency does not have any positions and is contracting with Treasury for implementation services related to the new loan program. OFA will need to increase the scope of its contract with Treasury for support services to provide loan servicing. The State Treasurer's 2023-25 budget includes funding for the establishment of two positions (1.13 FTE) to support OFA.

Budget Environment

HB 2001 (2023) established the Oregon Facilities Authority as an independent agency within the executive branch, separate and distinct from any other state agency. The measure appropriated $3.6 million General Fund for deposit into the OFA Account to finance moderate income housing predevelopment loans beginning in the 2023-25 biennium. The measure also established corresponding Other Funds expenditure limitation to expend the funds from the account. Of the $3.6 million, $613,925 will support estimated costs to develop and implement the new program. This includes $100,000 for program startup costs, such as rulemaking, and $250,000 for implementation activities that will include reviewing project applications and loan issuances. The remaining $263,925 is for new staff hired by the State Treasurer to support OFA.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Oregon Facilities Authority totals $7.2, which includes $3.6 million General Fund deposited into the OFA Account and corresponding Other Funds expenditure limitation to support expenditures from the account.

OREGON GOVERNMENT ETHICS COMMISSION

Analyst: Wilson

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	2,824,506	3,312,835	3,441,776	5,415,403
Total Funds	**$2,824,506**	**$3,312,835**	**$3,441,776**	**$5,415,403**
Positions	9	9	9	15
FTE	9.00	9.00	9.00	13.63

Overview

The mission of the Government Ethics Commission (OGEC) is to impartially administer and enforce Oregon's government ethics laws. Oregon Government Ethics law, Lobbying Regulation law, and the executive session provisions of Oregon Public Meetings law are within the regulatory jurisdiction of the Commission. The Commission and its staff educate public officials and lobbyists on government ethics, lobby regulation, and executive session provisions of public meeting laws through online and in-person training.

OGEC actions fall along a continuum from education to formal sanction. The Commission's emphasis is on providing training, general advice, staff opinions, or formal advisory opinions to avoid violations when possible. A complaint filed with the Commission requires a preliminary review by staff and may trigger an investigation, preliminary finding, or a contested case hearing. The Commission is required by law to meet specific timelines for the conduct of investigations. At any time during the process, a complaint can be dismissed, or a settlement negotiated through a stipulated final order issued by the Commission. A formal finding by the Commission may include a letter of reprimand, civil penalty, and/or forfeiture. Contested cases are handled through the state's administrative hearings process and decisions may be appealed to the state Court of Appeals.

Nine volunteer members make up the Commission, including eight members appointed by the Governor upon recommendation by the Democratic and Republican leaders of the Oregon House and Senate, and one member appointed directly by the Governor. All members are confirmed by the Senate. Members are limited to two four-year terms. Additionally, no more than three of the members may be from the same political party. The Executive Director is appointed by the Commission. Approximately 260,000 public officials are subject to the Commission's jurisdiction with approximately 6,000 public officials and 1,000 lobbyists that must file statements of economic interest.

Revenue Sources and Relationships

Since 2009-11, OGEC's funding has come from an assessment model with operating costs equally shared between state agencies and local government entities. State agencies are assessed based upon their number of full-time equivalent (FTE) positions. Local entities are assessed based upon a formula connected to a Municipal Audit charge collected by the Secretary of State. A portion of the state agency assessment revenues originate as General Fund, but for the purposes of OGEC's budget are Other Funds.

One-time special assessments have been approved to address specific information systems project needs. The 2013-15 budget included a one-time assessment of $800,000 for an electronic filing system for lobbyists and public officials who must file quarterly and annual reports, including lobbyist registrations, lobbying expenditure reports, legal expense trust fund reports, and annual statements of economic interest. The 2015-17 budget included a one-time assessment of $200,000 to implement an electronic case management system for the online posting of agency findings in a searchable format. The 2023-25 budget includes a $259,740 one-time assessment to upgrade both systems as well another $157,600 for system changes to meet the new filing requirements authorized by HB 2038 (2023).

The Commission collects fines and forfeitures from the imposition of civil penalties. These revenues are transferred to the General Fund and are not used to support agency operations. Collections from fines and forfeitures vary from biennia to biennia. In 2023-25, the Commission estimates collecting $50,000.

<u>Budget Environment</u>

Approximately 260,000 public officials are subject to the Commission's jurisdiction, with the vast majority serving at the local government level. OGEC opened 122 cases in calendar year 2020, 103 cases in 2021, and 150 cases in 2022. As of July 1, 2023, OGEC has opened 114 cases for 2023. In 2022, ethics cases represented 40%, executive session cases represented 45%, and lobby related cases represented 1%. In 2022, the respondents were from the following jurisdictions: cities (40%), special districts (28%), education (19%), state (4%), counties (8%), and others (1%). While the costs of Commission are shared equally between state and local jurisdictions, the complaints relating to officials of local jurisdictions make up the vast majority of the total. This comparison does not consider the complexity of the cases.

During the 2015 session, the Legislature enacted a series of ethics reforms including expanding the membership of the Commission from seven to nine members, modifying the appointment process for commissioners, and reducing the number of days allowed for the preliminary review of an ethics investigation from 135 to 30 days with no option for extension. The 2015 reforms also required all advisory opinions and other statements be made available online by January 1, 2017.

Because of the COVID-19 pandemic, the Commission has adapted its training presentations to a virtual platform, which has enabled the Commission's trainers to customize its training based on the needs of each organization. The incorporation of virtual polling and questioning has allowed for a more interactive experience and provided important feedback to the Commission. The Commission expects to see a long-term shift from in-person to online training.

<u>Legislatively Adopted Budget</u>

The OGEC's 2023-25 legislatively adopted budget of $5.4 million Other Funds is $2.1 million, or 63.5%, greater than the 2021-23 legislatively approved budget. Over the same period, the OGEC staff increased from nine positions (9.00 FTE) to 15 positions (13.63 FTE).

Major changes in the budget include:

- One-time increase of $259,740 Other Funds to upgrade the Electronic Filing System (EFS) and Case Management System (CMS). The EFS allows public officials to file Statements of Economic Interest online and lobbyists to file quarterly expenditure reports. The CMS provides information on the complaint process for violations and a centralized location for complaint related documents. The upgrades will create a bridge between the two systems and increase system functionality. A one-time assessment increase will fund these upgrades.
- Increase of $225,102 Other Funds for a new permanent full-time Training and Development Specialist position (0.88 FTE) to increase the Commission's capacity to provide trainings and advice to public officials, lobbyists, and the public. The move to more online training during the pandemic increased the participation in training and the number of questions by those regulated by the Commission. This position will respond to this increase demand in requests.
- One-time increase of $157,600 Other Funds pursuant to HB 2038 (2023), which added new filing requirements when reporting certain sources of income on statements of economic interest that public officials and candidates for public office are required to submit. The funding will support upgrading OGEC's Electronic Filing System for the new reporting requirements.
- Increase of $1.4 million Other Funds and five positions (3.75 FTE) for OGEC's increased responsibilities under HB 2805 (2023). The measure requires OGEC to provide annual trainings and best practices on the

Oregon Public Meetings Law and expands the Commission’s authority to include receiving reports and conducting investigations of alleged violations.

OFFICE OF THE GOVERNOR

Analyst: Siebert

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	15,003,053	19,921,917	21,310,580	22,178,495
Lottery Funds	3,288,878	4,661,117	4,774,856	4,639,197
Other Funds	5,771,090	4,465,499	4,504,827	4,137,935
Total Funds	**$24,063,021**	**$29,048,533**	**$30,590,263**	**$30,955,627**
Positions	62	66	65	67
FTE	61.63	65.05	65.00	67.00

Overview

The Office of the Governor provides overall direction to state agencies within the executive branch to ensure compliance with statutes and efficient and effective management. The Office includes program area policy advisors; a Diversity, Equity, and Inclusion Office; a citizen's input center; an Office of Intergovernmental and Regional Solutions; the Arrest and Return program; and clerical support for appointing members to boards and commissions.

Revenue Sources and Relationships

The Office of the Governor is supported mainly by General Fund. Lottery Funds are used for the Regional Solutions program and Other Funds include revenue transfers from other agencies. These transfers finance the Diversity and Inclusion and Economic and Business Equity programs. The Economic and Business Equity program is funded from assessments on agencies that have capital construction in their budgets and receives funds from sponsoring conferences.

Budget Environment

The budget is driven by the number of staff and programs operated out of the Governor's Office. The Office has often augmented its staff by borrowing staff from existing agencies or by hiring staff and having other agencies pay the salaries. Because of this, the source of funding for positions in the Governor's Office is an ongoing concern, especially when the positions and funding sources are not explicitly part of the Governor's Office budget. Positions administratively assigned to the Governor's Office that are funded in another agency's budget or are otherwise "on loan" to the Governor's Office should be limited to needs that are temporary in nature.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget of $31 million total funds is $1.9 million, or 6.6%, above the prior biennium level and $365,364 above the current service level. The adopted budget includes the following adjustments:

- An increase of $1.1 million General Fund continues the Fire Programs Director position (1.00 FTE), which was created in 2022, and establish two new policy advisors (2.00 FTE) to supplement existing policy subject matter experts. A new position was added in Behavioral Health to focus on substance abuse programs and a position was added to the Housing policy area to focus on production and supply issues.

- A $347,961 General Fund reduction was included to reflect transferring the Director of Affirmative Action (1.00 FTE) to the Chief Cultural Change Office in the Department of Administrative Services, which was created in 2021.
- Reductions of $508,508 General Fund and $104,936 Other Funds were included to represent higher assumed vacancy savings over the course of the 2023-25 biennium.

STATE LIBRARY OF OREGON

Analyst: To

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	3,899,570	4,538,886	4,900,626	4,898,156
Other Funds	5,834,771	7,764,467	8,234,407	8,450,493
Federal Funds	5,139,478	7,977,520	5,265,613	5,273,204
Total Funds	**$14,873,819**	**$20,280,873**	**$18,400,646**	**$18,621,853**
Positions	40	41	40	41
FTE	38.47	39.47	38.47	39.13

Overview

The State Library of Oregon (SLO) provides library services that support state government decision making, reading materials for Oregonians with print-disabilities, and leadership and resources to support and promote the development of local library services throughout the state.

The State Library Board is composed of nine voting members and serves as the policy and rule-making body for the State Library. Seven members are appointed by the Governor and confirmed by the Senate. The Deputy Superintendent of Public Instruction and the administrator of the Commission for the Blind or their designees serve as the remaining two members. The State Librarian is appointed by the Governor, subject to Senate confirmation, and oversees the operations of the State Library.

Revenue Sources and Relationships

The State Library is funded with a combination of General Fund, Other Funds, and Federal Funds. Most Other Funds revenues are generated from an assessment on state agencies. By statute, two-thirds of the assessment is apportioned to agencies based on their number of budgeted full-time equivalent employees and one-third on their use of the State Library during the prior biennium. Anticipated agency usage of the State Library for the 2023-25 biennium is calculated from recorded transactions collected during the 2019-21 biennium. Transactions are weighted for the various types of activities or services. State Library staff have determined the weighting factors, based on estimates of the relative labor, systems support, resource materials, and processing steps required for the delivery of individual types of transactions, focusing on the staff time and effort cost for delivering the respective services. Estimated state agency assessment revenue for 2023-25 is $7,634,890. While state agency assessment revenue is Other Funds in the State Library budget, a portion of the revenue originates as General Fund according to the revenue agencies use in their budgets to pay the assessment. Other Funds revenues also include donations, interest income, and miscellaneous receipts. The State Library projects receiving approximately $300,000 in donations, $5,750 in interest income, and $20,000 in miscellaneous receipts for the 2023-25 biennium.

The State Library receives Federal Funds from the Institute of Museum and Library Services (IMLS) under the Library Services and Technology Act (LSTA) per a population-based formula. The 2023-25 budget assumes Federal Funds from this grant in the amount of $5,265,613. The LSTA grant requires a 34% state match as well as maintenance of effort based on the average of the last three years of non-federal library expenditures relevant to the priorities of LSTA. Reductions in state expenditures result in an identical percentage reduction in LSTA funding, although states can request and receive a federal waiver to this requirement under specific circumstances. Federal Funds primarily support statewide services and competitive grants to libraries; a limited amount may also be spent on administrative expenses.

Budget Environment
HB 3523 (2015) restructured the mission and governance of the State Library. The "Trustees of the State Library" was renamed the "State Library Board" and membership was expanded. Additionally, the State Librarian position was changed from a board appointee to a gubernatorial appointee beginning in 2017. The State Reference Coordinating Council was also created by statute in 2015 and consists of the State Librarian, State Archivist, and State of Oregon Law Librarian. Its purpose is to coordinate delivery of library information and services between the State Library, State Archives, and the State of Oregon Law Library and to reduce duplication of effort. The State Library was also provided authority to approve the selection, purchase, and maintenance of reference databases and subscriptions for state agencies to reduce duplication of state agency materials. The State Library Board has recently adopted a new three-year strategic plan.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the State Library of Oregon totals $18.6 million and includes 41 positions (39.13 FTE). The budget is $1.7 million, or 8.9%, less than the 2021-23 legislatively approved budget. The reduction is primarily due to the phase out of $2.9 million in one-time Federal Funds received through the American Rescue Plan Act (ARPA).

Operations

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	63,890	132,500	128,728	128,728
Other Funds	1,408,798	2,177,394	2,291,632	2,290,457
Federal Funds	121,923	177,055	192,258	192,258
Total Funds	**$1,594,611**	**$2,486,949**	**$2,612,618**	**$2,611,443**
Positions	7	8	8	8
FTE	6.68	7.68	7.68	7.68

Program Description
The Operations Division is responsible for administrative functions of the agency, including fiscal management, information technology, volunteer coordination, communications, and State Library Board support. SLO contracts with the Department of Administrative Services for its human resource and accounting functions. The State Library has a nine-member policy board that is supported by this division including meeting scheduling, minute-taking, travel coordination, and board packet preparation. The State Library building has meeting rooms that are available to state employees and the public, and the Operations Division coordinates the scheduling and support of these rooms.

Revenue Sources and Relationships
The Operations Division is funded primarily with Other Funds from the state agency assessment. A small portion of General Fund and Federal Funds through the IMLS LSTA supports the division.

Budget Environment
Total hours contributed by volunteers are tracked each year. Volunteers contribute their time working on tasks and projects in all divisions of the State Library, including narrating local-interest audio books, repairing and preserving books and maps, and helping make digitized historical collections more accessible. Volunteers' hours in 2020 and 2021 were impacted by the State Library building closure in response to COVID-19. However, the Library was able to pivot and provide more virtual experiences. The State Library welcomed volunteers back to the building in June 2022. The total number of volunteer hours for 2023 is 3,726, which is higher than 2021 hours of 2,742, but still lower than the 2019 hours of 5,220.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Operations Division totals $2.6 million and includes eight positions (7.68 FTE). The division budget is $124,494, or 9.3%, higher than the 2021-23 legislatively approved budget. The increase reflects standard inflation and adjustments.

Library Support and Development Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	2,337,038	2,674,017	2,817,759	2,816,648
Other Funds	239	21,916	71,916	--
Federal Funds	5,017,555	7,800,465	5,073,355	5,080,946
Total Funds	**$7,354,832**	**$10,496,398**	**$7,963,030**	**$7,897,594**
Positions	8	9	8	10
FTE	7.50	9.00	8.00	9.25

Program Description

The Library Support and Development Services Division provides consultation services, professional development, statewide library services, and state and federal grant administration to approximately 1,600 local, academic, school, and tribal libraries in Oregon. The Division administers state funded Ready to Read grants to any legally established public library in Oregon to establish, develop, and improve early literacy and summer reading programs.

The Division also administers federal grant funding from the Institute of Museum and Library Services Grants to States Program, which distributes federal Library Services and Technology Act (LSTA) funding to all state library agencies. This funding supports statewide library services including Answerland, Oregon School Library Information System (OSLIS), Northwest Digital Heritage, and other statewide licensed digital resources. Answerland is a statewide service where Oregonians can connect with librarians to find answers to questions and receive research guidance 24 hours a day, 7 days a week. The service is available to anyone with an internet connection, no matter if they can access a library locally. Answerland enables access to professional library services for people who might otherwise lack access, including rural residents, individuals who are homebound, Oregonians who are unable to travel, or lack any access at all, to a local library. OSLIS is a K-12 website providing access to quality licensed databases to Oregon students and teachers.

Revenue Sources and Relationships

The Library Support and Development Services Division is funded with 36% General Fund and 64% Federal Funds. The budget for this program includes federal funding from the Institute of Museum and Library Services under the LSTA grant. The State Library must contribute 34% of the total LSTA program funding per year from non-federal resources. Independent of the matching requirement, IMLS's authorizing legislation requires a state maintenance of effort (MOE). As a condition of eligibility for federal funding, a state is required to maintain its financial contribution at not less than the average of the three preceding fiscal years. The Division's General Fund budget helps fulfill the federal LSTA match and maintenance of effort requirements. Before 2013, the State Library charged fees to libraries. With a change in vendor and price drop coinciding with efforts to be more equitable to small rural libraries, the fee was discontinued. However, some remaining revenues had been carried forward. In 2022, those funds were finally expended, and the reduction in Other Funds reflects the removal of the corresponding expenditure limitation.

Budget Environment

The Library Support and Development Services Division budget is driven by personnel costs, Ready to Read grants to Oregon Libraries, and statewide services and competitive grants to libraries through federal grant funding. Ready to Read grants are calculated using a statutory funding formula that distributes 80% of state funds based on the number of children up to 14 years of age in each service area and 20% based on the square miles in each library's jurisdiction. Grants are on a per-library basis with a minimum grant of $1,000 for each library in a fiscal year. SLO works with local libraries to encourage participation, develop early learning activities, and use the state's Ready to Read funds in cooperation with other local early learning efforts. SLO anticipates distributing approximately $818,461 in Ready to Read Grants to 143 eligible libraries during the 2024 grant cycle.

During federal fiscal year 2023, 16 LSTA competitive grants totaling $355,545 were awarded. Five LSTA statewide program grants totaling $172,763 were awarded for ongoing statewide programs and projects, including Oregon Battle of the Books, Oregon Digital Library Consortium, Oregon School Library Information System, and Sage Library System. In addition, 19 local libraries were awarded a total of $68,430 in Teen Internship Grants to fund summer library internships for local high school juniors and seniors.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Library Support and Development Services Division totals $7.9 million and includes ten positions (9.25 FTE). The total funds budget is $2.6 million, or 24.8%, less than the 2021-23 legislatively approved budget. A reduction in Federal Funds reflects the phase out of $2.9 million in one-time funding from the federal American Rescue Plan Act. The 2023-25 adopted budget includes revenue neutral position adjustments to repurpose LSTA funds to: (1) make permanent a Virtual Reference Coordinator position for the Answerland program; and (2) establish a full-time Diversity, Equity, and Inclusion (DEI) position (1.00) to support underserved and under-resourced public, academic, school, and tribal libraries. The Library's use of LSTA funds is directed by a five-year plan. DEI is a top priority of this federal plan.

Talking Book and Braille Library

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	1,498,642	1,732,369	1,954,139	1,952,780
Other Funds	179,828	283,618	315,675	315,675
Total Funds	**$1,678,470**	**$2,015,987**	**$2,269,814**	**$2,268,455**
Positions	8	8	8	8
FTE	7.98	7.48	7.48	7.20

Program Description

The Talking Book and Braille Library is the regional library in Oregon for the Library of Congress' National Library Service for the Blind and Print Disabled (NLS) network. The Library of Congress provides, free of charge, reading materials in audio-recorded or Braille formats to Oregonians with limited vision or other disabilities that prevent the use of traditional books and printed materials. The program provides access to materials via mail and internet downloads. SLO is responsible for administering the program, maintaining the inventory, and distributing requested materials. With over 5,000 active users and an average of approximately 30,000 items circulated every month, this federal-state cooperative partnership has been in place for over 80 years and helps local public libraries meet their requirements under the Americans with Disabilities Act.

Revenue Sources and Relationships

The program is funded primarily with General Fund for personnel and operational costs. Other Funds revenues for the program include donations and bequests to the Talking Book and Braille Library donation fund. Donations support service enhancements such as National Federation for the Blind Newsline, League of Women Voter's Guide in cartridge, CD, large print, and Braille, descriptive videos, and the summer reading program. These funds count towards the federal LSTA match and maintenance of effort requirements.

Budget Environment
The number of individuals registered for Talking Book and Braille Library service has maintained approximately 5,000 registered users for over ten years. In addition, the circulation of materials has remained around 800,000 items per biennium. This equates to 80 items per user per year. Over the past decade, the percent of circulated items that are downloaded digitally through the Braille Audio Reading and Download (BARD) system has increased from 18% to 25%.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Talking Book and Braille Library Division consists of nearly $2 million General Fund, $315,675 Other Funds, and eight positions (7.20 FTE). The program's total funds budget is $252,468, or 12.5%, more than the 2021-23 legislatively approved budget. The 2023-25 budget includes position adjustments to self-fund a dedicated full-time Talking Books Librarian position. In 2020, the federal Library of Congress, National Library Services for the Blind and Print Disabled expanded the definition of "competent authority" qualified to determine if an individual has a reading disability and therefore eligible for Talking Books Services to include case workers, counselors, educators and librarians as well as doctors, nurses, and therapists. With this change, a dedicated position is needed to work with existing staff to serve this growing customer base. This position will support the work of the program manager, coordinate the cataloging of books, administer the collection and patron database, and travel to outreach events for potential Talking Books customers.

Government Information and Library Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	4,245,906	5,281,539	5,555,184	5,844,361
Total Funds	**$4,245,906**	**$5,281,539**	**$5,555,184**	**$5,844,361**
Positions	17	16	16	15
FTE	16.31	15.31	15.31	15.00

Program Description
The Government Information and Library Services Division provides library services and resources to state employees, including research assistance, professional development, instruction, and access to both physical and electronic resources. Through the embedded librarian program, each state agency is assigned a librarian to provide specialized assistance and resources to support state agency staff in their work. The Division provides interlibrary loan services to locate requested resources owned by other libraries. The State Library is mandated to collect, curate and preserve the public-facing materials generated by all of Oregon's state agencies and to make these publications accessible through the Oregon Digital Collections website. Additionally, the Division participates in the Federal Depository Library Program which ensures that the American public has access to federal government information.

Revenue Sources and Relationships
The program is funded entirely with Other Funds from the state agency assessment.

Budget Environment
The program provides access to almost 100 databases for research, reference assistance, document delivery, and interlibrary loan services. State employees are projected to have 3,900 research transactions for the 2023-25 biennium, which is 18% more than the prior biennium. Program staff are projected to conduct 210 outreach and training presentations for the 2023-25 biennium, which is consistent with the prior biennium.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Government Information and Library Services totals $5.8 million Other Funds and includes 15 positions (15.00 FTE). The budget is $562,822, or 10.7%, higher than the 2021-23 legislatively approved budget. The increase reflects expenditure limitation to address increased costs for data

storage and subscriptions for research databases. The agency is statutorily required to preserve state agency publications and make them accessible through the Oregon Digital Collection website. Due primarily to expansive COVID publications issued by state agencies, the in-house server that retains Oregon documents needed additional storage capacity. In addition, SLO provides state employees and the Legislature with access to research databases such as O'Reilly and Medline. The costs for these subscriptions as well as the technology to support them, including an integrated authentication system, have increased.

OREGON LIQUOR AND CANNABIS COMMISSION

Analyst: Deister

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	250,165,490	494,331,299	341,666,393	384,605,278
Total Funds	**$250,165,490**	**$494,331,299**	**$341,666,393**	**$384,605,278**
Positions	364	386	384	384
FTE	361.29	382.16	382.00	379.28

Overview

The Oregon Liquor and Cannabis Commission (OLCC), formerly known as Oregon Liquor *Control* Commission, regulates individuals and businesses that manufacture, sell, import, export, or serve alcoholic beverages. It also educates and trains liquor licensees, the public, and other groups, and investigates and acts when necessary against those who violate liquor laws. Since January 2016, OLCC has also regulated growers, producers, wholesalers and retailers of recreational marijuana, and tracks and inspects medical marijuana grow sites, processors, and dispensaries of medical marijuana. The seven-member Commission is appointed by the Governor and confirmed by the Senate.

Revenue Sources and Relationships

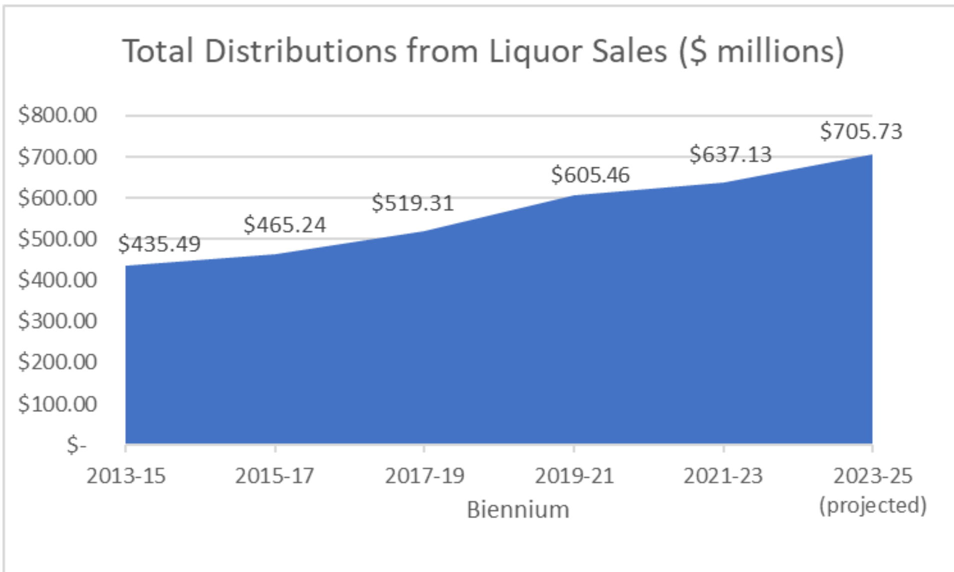
The Commission is entirely supported by Other Funds revenues from the regulation of liquor and recreational marijuana. Revenue from marijuana is taxed at the point of sale and collected by the Department of Revenue. For the 2023-25 biennium, revenue will first be disbursed to the Department of Revenue for its administrative costs and $875,000 per quarter is transferred to OLCC for its ongoing regulatory costs related to medical marijuana. After the transfers reserved for administration and regulatory costs, statute currently requires quarterly revenue above $11.25 million, as adjusted for inflation, to be transferred to the Drug Treatment and Recovery Services Fund. The remaining quarterly amounts are distributed as follows:

- 20% for cities and counties
- 40% for the State School Fund
- 20% for mental health treatment or alcohol and drug abuse prevention, early intervention, and treatment
- 15% for the State Police Account
- 5% for alcohol and drug abuse prevention, early intervention, and treatment services

The December 2023 revenue forecast estimates $299.7 million in marijuana taxes available for these distributions. The Legislature directed that OLCC's recreational marijuana regulatory costs to be self-supporting through fees charged to licensees, which are estimated to generate $32.3 million in the 2023-25 biennium. With marijuana regulatory expenses estimated at 44% of total expenditures, the estimated 2023-25 ending balance in marijuana licensing revenue is anticipated to be $4.4 million, which is equivalent to three months of operating expenditures. No fee increases are anticipated to be required in either alcohol or marijuana-related licensing fees in 2023-25.

Revenue generated from the agency's liquor-related responsibilities is comprised of a markup on distilled spirits offered for sale in Oregon (94%, $1.96 billion); privilege taxes on malt beverages (beer) and wine (4.1%, $42.2 million); and licensing fees and fines, server education fees, and miscellaneous income (2.5%, $26.3 million). Unless otherwise directed, a statutory distribution formula specifies that – after agency expenses, including purchase of liquor from distributors – 50% of the privilege tax revenues are first allocated for payments to the Mental Health Alcoholism and Drug Services Account ($20.7 million), and then $777,000 is assumed to be transferred to the Wine Advisory Board, which is also the recipient of $4 million in pass-through grape tonnage tax revenue collected by OLCC. The remaining privilege tax revenue, along with all other revenues (primarily from liquor sales), are used to pay contracted liquor agents and to finance Commission operations, including liquor purchases. Any excess balance is apportioned to the state General Fund (56%), cities (20%), city revenue sharing (14%), and counties (10%). OLCC's alcohol sales represent the third largest generator of public funds, after income taxes and lottery receipts. Distributions for the 2023-25 biennium, per the legislatively adopted budget and the September 2023 Oregon Economic and Revenue Forecast, are projected as follows: $401.8 million to the General Fund; $128.4 million for city revenue sharing; $89.9 million to cities; and $64.2 million to counties. A $0.50 per bottle surcharge is also imposed by OLCC, with revenue dedicated exclusively to the General Fund; of the General Fund share, $42.4 million is attributable to this surcharge.

The following illustrates the liquor revenue distribution to state and local governments since the 2013-15 biennium:



Although Other Funds revenue supports OLCC operations, the agency's expenditures for liquor regulation directly affect the General Fund. Each dollar spent by the Commission represents 56 cents in liquor revenue that will not go into the state's General Fund and 44 cents that will not go to local governments. For this reason, an appropriate balance is sought between keeping operating costs as low as possible, making expenditures necessary to enhance the generation of revenue, and maintaining a controlled distribution environment.

For the 2021-23 biennium, bonds were authorized pursuant to Article XI-Q of the Oregon Constitution to fund infrastructure projects for the. Reauthorization for some of these projects was approved in the 2023-25 biennium to reflect changes in timing of bond sales and project readiness.

Budget Environment

OLCC continues to forecast biennium-over-biennium increases in sales, driven by increases in volume as well as product price point. Inflationary pressure increased the assumed cost of constructing a new warehouse facility to accommodate growth and increase sales potential. Bonds for the facility were initially approved in the 2021 legislative session, and bonding authority was increased by a total of $82.9 million in 2022 in acknowledgement of increases to cost estimates for both the construction of the warehouse facility ($77.9 million) and conveyor and order fulfillment system ($5 million). In order to remain within the total approved bond proceeds available, OLCC has opted to revise its construction plan for a warehouse facility only; a headquarters originally planned to be attached will instead consist of leased office space in Salem, which is estimated to be more cost effective. OLCC proposes to continue leasing space for its field offices, to support local enforcement and customer service activities. As of October 2023, the construction contract had yet to be finalized, due to questions by the

Department of Administrative Services procurement division and the Department of Justice associated with the integration of the conveyor system into the warehouse construction contract.

Time-intensive and complicated marijuana licensing renewals have continued to be an issue. The required additional investigation and follow-up resulted in OLCC pausing action on new license applications since June 15, 2018. The moratorium on new licenses has been extended until march 31, 2024, pursuant to HB 4016 (2022).

A near total turnover in agency leadership occurred in 2023, due to investigations of ethical violations stemming from reservations of whiskey for personal purchase, rather than releasing them to a statewide lottery system. The executive director, deputy director, distilled spirits manager, budget director, chief information officer, and director of the office of information services either resigned or were removed from their positions, and the agency spent the majority of the 2023 calendar year under an interim executive director who was appointed permanently by the Commission in October. Time will be needed by a new management team to build expertise and define organizational priorities to effectively manage initiatives already underway, including the following: development of a new inventory and warehouse management information technology (IT) system; completion of modernized regulatory and licensing IT systems; the management of the warehouse construction project and conveyor system; and planning for disposition of the Milwaukie headquarters property and move to a new facility.

Major policy legislation adopted during the 2023 session that impacts OLCC include the following bills: HB 2931, which establishes a cannabis reference laboratory within the Department of Agriculture and partially funded by OLCC; HB 3308, which requires OLCC to develop a regulatory framework for alcohol home delivery; and HB 2013, which allows out of state breweries the same direct-to-consumer shipping privileges afforded to Oregon breweries.

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<u>Legislatively Approved Budget</u>
The 2023-25 legislatively adopted budget totals $384.6 million Other Funds, which is a decrease of $109.7 million, or 22.2%, from the 2021-23 legislatively approved budget. This decrease is primarily due to capital construction expenditure limitation that was approved in the previous biennium. Changes from current service level include: eliminating 12 positions and related services and supplies that had been vacant for longer than six months; additional expenditure limitation for agents' compensation and bank card fees due to sales above forecasted levels; ordering of some fixtures and equipment that will be needed for the new warehouse, in anticipation of relocation; replacement of vehicles in the agency's motor pool; position reclassifications; staffing to address public records requests in a more timely way; and resources associated with policy bills approved during the 2023 legislative session.

The following two budget notes were approved:

- The completion of an analysis of workload, staffing and management to determine appropriate management ratios and funding streams (liquor vs. cannabis licensing revenue).
- Required elements of an interagency agreement between OLCC and the Department of Agriculture concerning the establishment and support of a cannabis reference laboratory.

These elements are discussed in more detail below in the appropriate divisions of the agency's budget.

Distilled Spirits

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	33,670,707	70,204,950	58,714,063	84,560,864
Total Funds	**$33,670,707**	**$70,204,950**	**$58,714,063**	**$84,560,864**
Positions	78	77	76	76
FTE	78.00	77.00	76.00	76.00

Program Description

Responsibilities of the Distilled Spirits program relate to liquor sales and distribution. As a "control state," the Commission has sole authority to sell distilled spirits by the bottle. OLCC's current average markup based on the current sales mix is approximately 108%, plus a $0.50 per bottle surcharge, which generate funds to finance its expenses and produce revenue for state and local government. The program includes the following divisions:

- Purchasing – Works with Retail Services staff to provide distilled liquor to customers, manage inventory to meet customer demands and preferences, provide a varied selection, and represent Oregon's craft distillery industry.
- Wholesale Services – Responsibilities include managing the liquor distribution center, including securely warehousing the liquor, filling merchandise orders, and coordinating with carriers to ship products to liquor stores throughout the state, and settling claims for damaged or defective goods.
- Retail Services – Oversees the operation of the statewide retail liquor store system, which consists of 284 liquor stores run by contract agents and 93 distiller outlets (sales from tasting rooms). Funding for agents' compensation is in a separate program, although it is related to the Retail Services Division.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Distilled Spirits program totals $84.6 million, which is an increase of $14.4 million, or 20.4%, from the 2021-23 legislatively approved budget. Other funds expenditure limitation of $2.7 million for bank card fees associated with higher than forecasted sales was included. An increase of $7.5 million was approved for warehouse equipment acquisition and activities associated with the disposition of Milwaukie facilities in anticipation of moving the warehouse and leasing space for central administration. Bond authorization of $16.5 million was approved for the agency's warehouse management system, reflecting a delay of the sale of remaining bonds that were approved in the previous biennium, with an increase of $1 million included for the cost of issuance. An expenditure limitation increase of $9.5 million was also included for debt service.

Public Safety Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	24,704,433	30,904,753	31,503,959	30,845,680
Total Funds	**$24,704,433**	**$30,904,753**	**$31,503,959**	**$30,845,680**
Positions	118	117	115	114
FTE	116.00	114.58	113.00	110.50

Program Description

The Public Safety Services program contains licensing, education, and public safety functions that promote the legal sale and service of alcohol and marijuana to responsible adults. The program has five regional offices (including its headquarters in Milwaukie) and eight satellite offices, and consists of the following functional divisions:

- License Services – Investigates and processes license applications and renewals for alcohol and marijuana licensees, and issues alcohol service and marijuana worker permits.
- Public Safety Division – Staff in five regional and eight satellite field offices who conduct license investigations, respond to complaints, investigate liquor and marijuana law violations, and work with licensees and local communities to ensure compliance with liquor and marijuana laws and resolve problems created by licensed businesses or their patrons.
- Administrative Hearings Division – Reviews the final OLCC investigative reports for technical sufficiency; provides due process to OLCC stakeholders by developing the agency record at contested case hearings; applies consistent policies and laws; and coordinates rulemaking for the agency.

Budget Environment

The number of liquor licensees (totaling 17,574 across various licensing types) increased by 17.6% compared to December 2020. A moratorium on new marijuana producer licenses has been extended until March 31, 2024, pursuant to HB 4016 (2022). Despite this and an oversupply of product that has led to lower profit margins for licensees, a 4.2% increase in number of marijuana-related licensees – totaling 2,497 across various licensing types – has occurred since December of 2020.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Public Safety Services totals $30.8 million, which is a decrease of $59,073, or 0.2%, from the 2021-23 legislatively approved budget. OLCC has experienced difficulty in successfully recruiting and retaining candidates to fill vacancies in licensing and enforcement positions, leading to the elimination of seven positions in the division funded with alcohol revenue, and $1.6 million in Other Funds expenditure limitation. However, this was nearly offset by six positions (4.50 FTE) added to accommodate new legislation allowing home delivery of distilled spirits (HB 3308), which will require licensing, training, and enforcement activities, and additional Other Funds expenditure limitation of $966,385.

Administration and Support Services

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	29,890,312	34,087,172	37,125,298	36,883,917
Total Funds	**$29,890,312**	**$34,087,172**	**$37,125,298**	**$36,883,917**
Positions	76	91	92	91
FTE	76.00	90.33	92.00	90.14

Program Description

The Administration and Support Services program is central to both the public and inward-facing day-to-day operations of the OLCC, including the following: information, education, and outreach efforts; financial audits of privilege taxpayers and liquor agents; payment of agency bills; managing the maintenance of OLCC buildings and equipment; agency procurement of supplies, personnel, and information systems; IT system management; policy development; and Commission support. Marijuana licensing revenue funds approximately 26% of the program's personnel expenditures and the medical marijuana program contributes another 7%.

The Administration and Support Services program consists of the following divisions:

- Administration – Includes Human Resources and is responsible for ensuring the goals of the agency are implemented and policy is carried out as articulated by the Commission.
- Policy, Analytics, Communications and Education – Includes performance measurement, statistical analysis, request-for-proposal development, research, communications, and alcohol education.

- Administrative Services – Handles activities such as purchasing, contracting, motor pool, facilities maintenance, and mail.
- Government Affairs and Communications – Responsible for internal and external agency communications, including print and electronic materials.
- Financial Services – Develops and implements systems that provide fiscal accountability for Commission operations; produces and maintains fiscal records, external audit of liquor receipts, and collection and recording of privilege taxes; and develops and monitors execution of the agency's budget.
- Information Technology – Develops and supports electronic data systems for staff ranging from desktop computers to distribution center inventory control applications. The Division is responsible for helping to manage the selection and implementation of new licensing and tracking systems related to marijuana regulation.

Budget Environment

OLCC had originally planned to include space for its headquarters office as part of its warehouse construction project. Due to increased costs driven by inflation in the cost of materials, labor and interest rates, a more recent analysis suggested that it would be more cost effective to enter into a long-term lease for office space for the agency's central administrative and management functions. OLCC will be working with the Department of Administrative Services to evaluate options and costs, and will seek changes to bonding authority in the 2024 legislative session to specify that bonds remove reference to inclusion of headquarters space.

New agency leadership will be looking to focus effort on rightsizing management to staff ratios, implementing larger initiatives aimed at accommodating growth, and transitioning a number of agency operations and personnel to new locations. At the same time, OLCC needs to ensure that respective revenue streams associated with alcohol and marijuana are being appropriately allocated to support workload and services to licensees. IT planning, coordination and implementation of modernized business systems that streamline processes and enhance customer service will be an ongoing priority.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Administration and Support Services totals $36.9 million, which is an increase of $2.8 million, or 8.2%, from the 2021-23 legislatively approved budget. The legislatively adopted budget eliminated five long-term vacancies in the Public Safety Division and related services and supplies but added two positions to enhance data security. Resources were added to replace 12 cars in OLCC's motor pool that were past their useful life, funded with marijuana licensing revenue, for use by marijuana inspection and enforcement personnel. An Office Specialist two position (0.50 FTE) was added, and reclassifications were approved to enable OLCC to make more efficient use of existing positions based on current workload needs. An increase of one position (0.88 FTE) was also approved to manage the increasing number of public records requests related to information on marijuana licensees.

Agents Compensation Program

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	139,581,774	182,500,000	181,571,916	198,560,000
Total Funds	**$139,581,774**	**$182,500,000**	**$181,571,916**	**$198,560,000**

Program Description

The Agents Compensation Program includes expenditure limitation for liquor revenues to pay contract agents who operate the state's retail liquor outlets, and a commission for distillers who sell spirits out of tasting rooms. The program is funded from liquor revenues received by OLCC. Out of the compensation, retail agents pay liquor store rent, insurance, telephone, utilities, business taxes, employee salaries and benefits, and other operating costs. From the remainder, they pay their own salaries, benefits, and personal taxes.

Budget Environment

Prior to the passage of SB 316 and HB 2740 during the 2021 regular legislative session, ORS 471.750 gave the Commission authority to determine the compensation of liquor agents. Future changes to these compensation formulas will have to be approved via statutory changes, rather than through commission action.

Agents' compensation comprises 51.6% of all OLCC expenditures and is by far the largest program in the agency's budget. Changes to the rate or amount of compensation approved have major implications to OLCC expenditures, and, by extension, the amount of revenue distributed to the General Fund.

For retail agents, statutory factors contributing to compensation rates include base compensation, store class, retail leases and automatic escalators based on location, to reflect cost differences in various regions of the state, and is estimated at 10.11% of total sales. The distiller compensation formula is a 45% commission on the first $250,000 in sales from all tasting rooms connected to a distiller and 17% for all sales over $250,000 (an estimated 36% of total sales). If sales by agents exceed budgeted projections, OLCC will request additional expenditure limitation to pay agents pursuant to the formulas in statute.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Agents Compensation Program totals $198.6 million, which is an increase of $16.1 million, or 8.8%%, from the 2021-23 legislatively approved budget. The budget is consistent with the statutory formulas in HB 2740 (2021), which establishes the retail agent compensation schedule, and SB 316 (2021), which addresses distillery agents' compensation. Of the total budget, $186.1 million is attributable to retail agents and $12.5 million is attributable to distillery agents.

Recreational Marijuana Program Regulation

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	17,969,245	24,591,056	26,172,330	27,204,920
Total Funds	**$17,969,245**	**$24,591,056**	**$26,172,330**	**$27,204,920**
Positions	69	80	80	82
FTE	68.29	79.25	80.00	81.64

Program Description

In November 2014, Oregon voters approved Ballot Measure 91, which tasked OLCC with regulating the new recreational marijuana industry. OLCC's responsibilities include the following:

- Adoption and enforcement of regulations relating to growers, wholesalers, processors, and retailers.
- Ensuring utilization and reporting through a product tracking system which must be used by licensees when transferring marijuana-related products.
- Processing permits for workers in marijuana businesses.
- Inspections, seizures, citations, and arrest authority for recreational marijuana facilities with the goal of preventing intentional diversion to the black market.
- Regulation of marijuana concentrates and extracts in products.
- Overseeing testing requirements and standards for product testing, packaging, and labeling of marijuana items, to ensure consumer safety.

- Oversight of OLCC Medical Marijuana staff who work with the Oregon Health Authority to incorporate medical marijuana growers, producers, and dispensaries into tracing technology.
- Preventing the sale of cannabis to minors.
- Working with the Department of Revenue to reconcile product movement with taxes paid.

Budget Environment
Regulatory expenses related to recreational marijuana are intended to be borne by licensees; this requires that OLCC closely monitor its fee revenue and regulatory expenses to ensure marijuana-related costs are not being subsidized by the alcohol program. OLCC allocates a portion of agency overhead (Administration and Support program expenses) to marijuana programs based on FTE. For the 2023-25 biennium, the cost allocation formula is 27% of Administration and Support program personal services expenditures. In the 2023-25 interim, OLCC is directed to develop a more comprehensive cost allocation methodology pursuant to a budget note.

At a high level, the jurisdictional responsibility for marijuana-related matters is summarized as follows:

- Local jurisdictions – law enforcement, code enforcement, siting
- Oregon Health Authority (OHA) – medical marijuana activities/businesses, testing standards and requirements (OLCC performs inspections and reports findings and concerns to OHA regarding medical marijuana producers)
- Department of Revenue (DOR) – tax collection; OLCC shares information with DOR regarding product production and movement to facilitate accurate tax collection activities
- Department of Agriculture – commercial kitchens, scale certification, food handling activities, pesticides, and commercial hemp production; operation of a marijuana reference laboratory to verify private testing lab results
- OLCC – licensing and inspection of producers, retailers, wholesalers, workers, and laboratories, and enforcement of violations

In response to the oversupply and the complexity of license renewals, a moratorium on producer licenses first enacted in 2019 has been extended until March 31, 2024, based on the supply of legal product. OLCC estimates that market demand was 52% of supply in 2021 and 63% in 2022.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Recreational Marijuana Program totals $27.2 million, which is an increase of $2.6 million, or 10.6%, from the 2021-23 legislatively approved budget. The budget includes an increase of $450,000 in one-time expenditure limitation to fund contracted cannabis-related communication and outreach to consumers and licensees focused on human trafficking, identifying and overcoming barriers to licensure, and allowable activities regarding consumption of cannabis and hemp-derived THC products in the general marketplace. Three permanent full-time positions (2.64 FTE) and $965,674 in expenditure limitation were added to support the integration of labs as licensees of OLCC if they conduct testing on behalf of marijuana producers and processors, while one position was eliminated from the division to finance reclassifications and other position actions elsewhere in the agency.

A revenue transfer of $2.3 million to the Oregon Department of Agriculture (ODA) will support the one-time purchase of equipment ($1.75 million), and onging staffing costs ($531,689) associated with three chemists to devise protocols, conduct tests and report results in a testing lab with ODA's new lab facility in Wilsonville. The lab will provide independent confirmation of private lab results for potency, pesticides, and purity of cannabis and related products. ODA has corresponding expenditure limitation and position authority in its budget to reflect this transfer. Both agencies also have a budget note specifying elements of an interagency agreement to clarify roles and responsibilities, and a reporting requirement on certain reference laboratory information.

Medical Marijuana Program

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	4,081,350	6,270,575	6,331,074	6,296,132
Total Funds	**4,081,350**	**$6,270,575**	**$6,331,074**	**$6,296,132**
Positions	23	21	21	21
FTE	23.00	21.00	21.00	21.00

Program Description
The Medical Marijuana Program provides tracking of marijuana sales and production by OHA medical marijuana licensees with more than 12 plants or who grow for more than two medical cardholders. Violations of laws, tracking requirements, and other rules discovered by OLCC are reported to OHA for enforcement.

Budget Environment
The passage of SB 1057 (2017) resulted in new laws and responsibilities for the regulation of medical marijuana. OLCC inspection, tracking, and management functions are funded by a transfer from DOR to OLCC of up to $875,000 per calendar quarter of recreational marijuana tax revenue. A separate budgeting structure was created to differentiate these costs and the unique funding source from the recreational marijuana program to better track resource needs and uses.

As Oregon Medical Marijuana Program registrants elect to transfer to the OLCC program or discontinue operations, the number of exclusively medical marijuana registrants has fallen; the number of registered medical marijuana grow sites as of February 2023 was 214, compared with 459 in 2021. There are currently two exclusive medical marijuana dispensaries and no processors.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Medicaid Marijuana Program totals $6.3 million, which is an increase of $25,557, or 0.4%, from the 2021-23 legislatively approved budget.

Capital Improvements

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	267,669	447,745	247,753	253,765
Total Funds	**$267,669**	**$447,745**	**$247,753**	**$253,765**

Program Description
The Capital Improvements program provides for stewardship of OLCC's buildings and grounds. OLCC owns its main office and distribution center complex in Milwaukie, as well as a second nearby warehouse acquired in 2007. OLCC has developed and routinely updates a 10-year facility maintenance plan, which is reflected in this program. Funding for Capital Improvements is derived through revenues from the sale of distilled spirits, license fees from alcohol and marijuana and penalties, privilege tax paid on the sales of beer and wine, and other miscellaneous sources.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Capital Improvements totals $253,765, which is a decrease of $193,980, or 43.3%, from the 2021-23 legislatively approved budget. This decrease is due to the phase out of one-time expenditures for building repairs.

Capital Construction

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	--	145,455,048	--	--
Total Funds	**--**	**$145,455,048**	**--**	**--**

Program Description
The Capital Construction budget structure supports the planning, design, and construction of facility projects with a cost of more than $1 million. Appropriations and expenditure limitations budgeted for capital construction are authorized for a period of six years. OLCC's 2021-23 legislatively approved budget included Other Funds expenditure limitation from bond sales for the purchase of land and construction of a new warehouse, and to acquire and install a new conveyor and order fulfillment system. Debt service on these projects through the 2029-31 biennium is estimated at $21.6 million and is budgeted in the Distilled Spirits program.

Budget Environment
Year over year sales growth, driven by population increases and retail store expansion, along with new responsibilities from cannabis regulation, has resulted in the current warehouse and central office facilities to be at or in excess of capacity, requiring substantial investments to maintain current levels of operation. Capacity limitations have the strong potential to affect revenues by limiting the possibility of new product listings and the ability to fulfill orders of retail liquor stores. The age of the facility requires significant structural and seismic improvements to protect employee health and safety and inventory. In addition, conveyor and supply chain systems will need to be integrated into a new building. OLCC estimated that as much as $1.5 billion in liquor sales revenue could be at risk over a period of ten years if the agency were to maintain its existing footprint.

Legislatively Adopted Budget
Given the six-year availability of capital construction appropriations and expenditure limitations, no adjustments are included for this purpose in OLCC's 2023-25 current service level or legislatively adopted budgets. Completion of the facility is expected in the 2025-27 biennium and the new facility is assumed to provide for continued growth and profitability for at least the next 30 years.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Analyst: Borden

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	64,570,045	17,250,000	--	--
Lottery Funds	--	19,461,706	16,792,239	28,527,388
Other Funds	199,335,978	171,611,372	132,007,763	165,486,496
Other Funds (NL)	11,694,349,081	12,886,613,593	13,523,120,517	13,523,120,517
Total Funds	**$11,958,255,104**	**$13,094,936,671**	**$16,671,920,519**	**$13,717,134,401**
Positions	417	429	384	439
FTE	412.28	124.67	384.00	436.69

Overview

The Public Employees Retirement System (PERS) administers the retirement system for most employees of state agencies, public universities, community colleges, public school districts, statutory judges, and participating cities, counties, and special districts in Oregon. The agency also administers a retiree health insurance program and a voluntary deferred compensation program for state agencies and some local governmental entities.

PERS is responsible for most fiduciary activities performed on behalf of system members, including receipt of contributions into the retirement and deferred compensation trust funds, retirement counseling, benefit determination, and benefit payment. A separate entity, the Oregon Investment Council (OIC), with the assistance of the Investment Division of the State Treasury, oversees the investment of retirement system and deferred compensation trust fund assets, which are predominately managed by private investment firms. The five-member Public Employees Retirement Board has broad authority for operation of the system. Day-to-day operations are carried out by the Board-appointed executive director and agency staff. The agency's executive director is also an ex-officio non-voting member of OIC.

By statute, the Board formally adopts actuarial methods and assumptions every odd year for its contractual actuarial firm to use in calculating the value of benefits. These assumptions include actuarial cost method; amortization periods; asset valuation method; contribution stabilization method (i.e., rate collaring); economic assumptions, including the future assumed earnings rate, inflation, and payroll growth; and demographic assumptions on retirement, disability, and mortality, among others. These assumptions determine the cost of liabilities associated with the accrued benefits. A statutory change in 2019 directs the PERS Board to report to the Legislature at least 30 days before the Board adopts changes to actuarial methods and assumptions.

The PERS Board establishes employer rates for approximately 900 employers. The rates vary by pension plan and for general service and police and fire employees as well as healthcare rates. Statute directs a fixed employee contribution of 6%, some of which is paid by employers, for non-judge members, which flows to the Individual Account Program and, depending on the member's monthly salary, the Employee Pension Stability Account, and 7% for statutory judgeship members. PERS employer contribution rates do not include debt service costs on pension obligation bonds.

The PERS budget is organized into the following five benefit programs:

- Tier One, Tier Two, and Judge Member Pension Programs – pension programs for public employees who began their public employment prior to August 28, 2003.
- Employer Resolution Programs – employer (side account) incentive funding and the Unfunded Actuarial Liability Resolution Program.

- Retirement Health Insurance Programs – optional medical, dental, and long-term care insurance plans to eligible Tier One/Tier Two retired members, their spouses, and dependents.
- Oregon Public Service Retirement Pension Program – pension programs for public employees who began public employment after August 28, 2003.
- Individual Account Program – defined contribution component.

The PERS budget is further organized into the following six administrative divisions:

- Central Administration Division – provides the planning and leadership for PERS.
- Financial and Administrative Services Division – provides financial and in-house actuarial services.
- Information Services Division – provides application, content management, and technical support.
- Operations Division – provides member services, including benefit calculations, and supports the Health Insurance Plans, Oregon Savings Growth Plan and State Social Security Program.
- Compliance, Audit, and Risk Division – provides policy and compliance functions and handles appeals and contested cases while also being responsible for enterprise risk management, information security, and internal audit services.
- Core Retirement System – provides for costs related to the implementation of large-scale information technology initiatives.

Revenue Sources and Relationships

PERS revenue comes primarily from a combination of net (of investment expenses) investment earnings, employer contributions, employee contributions, health insurance premium payments, and dedicated revenue streams. In total, PERS expects to receive $24.4 billion in biennial Other Funds revenues for budgetarily nonlimited benefit programs, including investment earnings ($15 billion), contributions ($9.2 billion), and insurance premiums ($65.2 million). Notably, employer contributions are predominately funded by employer General Fund and, to a lesser extent, Lottery, Other, and Federal Funds, thus making PERS indirectly funded by General Fund.

ORS 238.610 directs the administrative operations expenses for the agency be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers. Administrative expenses, which equate to the agency's Other Funds budget, are estimated to total $165.5 million and will be paid primarily from trust earnings. PERS' operating budget is funded primarily by recovering its administrative costs from the benefit trusts the agency administers. The PERS Health Insurance Program is funded via a combination of employer rates, earnings on the PERS Fund, insurance premiums paid by beneficiaries and passed through to the insurers, and subsidy payments from the Centers for Medicare and Medicaid Services.

The agency receives limited charges for service for administering the Oregon Savings Growth Plan deferred compensation program (0.2% of participant assets held in the trust), an administrative fee assessed on participants and employers for Social Security Administration activities (rate of 70 cents per employee per year, or $15, whichever is higher), plus nominal miscellaneous revenue, side accounts established by PERS employers, and Benefit Equalization Fund payments. The legislature recently increased the maximum fee from $300 to $1,300 that PERS may charge to pay benefits to an alternate payee required by court order for divorces, dissolutions of marriage, and other settlement agreements (HB 2284, 2023).

The Employer Incentive Fund is supported with Lottery Funds from sports betting, one-time General Fund, and interest earnings. The School Districts Unfunded Liability Fund may be funded by excess revenues from debt collection, capital gains, estate taxes, interest on unclaimed property, and interest earnings. Of these dedicated revenue streams, the following three are slated to repeal or sunset during the 2023-25 biennium: excess capital gains, excess estate tax, and excess debt collections. Only excess estate tax and the unclaimed property transfer have are expected to produced revenue for the School District Unfunded Liability Fund (SDULF).

Budget Environment

PERS is ranked as the second most complex retirement system in North America and, consequently, one of the costliest to administer. This complexity revolves around the number of pension plans (both open and closed), payout options, contributions required of members, the portion of member contributions redirected to fund pension costs, and legacy costs, among other factors.

Approximately 95% of Oregon's public sector employees are PERS members. Public employers that do not participate in the PERS system must, every twelve years, meet an actuarial "equal to or better" standard for their police and fire employees, as compared to PERS benefits with 2022 being a review year. PERS has an estimated membership totaling 384,982 participants as of June 30, 2021. Of this number, 180,098 are active members, 48,389 are inactive members or those members who are no longer in PERS-covered employment, and 156,500 are retirees. PERS-eligible payroll is approximately $25 billion a biennium.

PERS is considered a mature system that currently has 1.11 active members for every annuitant or retired members and beneficiaries. By comparison, the National Association of State Retirement Administrator survey of public retirement funds has an average ratio of 1.30. The ratio of active members to annuitants may decline further as a significant portion of active members are eligible to retire.

PERS is a pre-funded retirement system with investment income providing approximately 74.2% of PERS' revenue since 1970 with the remaining revenue coming from employer contributions (21.5%) and member contributions (4.3%). Employers have the option to make voluntary lump-sum payments to PERS in addition to the employer's required contribution either in the form of a cash payment(s) or the issuance of Pension Obligation Bonds. PERS employees rate collar methodology administratively limits the biennium-to-biennium change in employer contribution rates and eliminates the need for contingency funding as a tool to moderate employer rate increases.

Employer contribution rates vary by employer based on factors including their employee demographics, their pre-funding any liability via side accounts, or their participation in a rate pool. If not for the Unfunded Accrued Liability (UAL), the total contribution rate would be materially lower. Employer contribution rates do not include costs for the Individual Account Program or debt service costs for Pension Obligation Bonds, which are paid for separately.

A retiree's overall retirement income may include a PERS pension, a payout from a residual balance in an employee's Employee Pension Stability Account (in certain circumstances), a PERS Individual Account Program payment(s), and a federal Social Security benefit. A retiree's income could also include any voluntary deferred compensation contributions for which an employee may participate, and other private retirement savings or resources. PERS retirees and beneficiaries receiving a monthly pension benefit may receive an annual cost-of-living adjustment (COLA), which take effect on July 1 of each year. Although infrequent, the Legislature may also grant an ad hoc COLA.

From 1990-2021, the average annual retirement benefit based on years of service equaled 52% of final average salary at the time of retirement based on a final average salary of $57,269. The average monthly benefit is $2,486 per month or $29,827 annually.

The average annual retirement benefit for just 2021 retirees equaled 44% of final average salary based on a final average salary of $90,191. The average monthly benefit is $3,358 per month or $40,297 annually. For 2021 retirees with 30-years of eligible participation, the annual benefit amounted to 49% of final average salary, or $4,002; however, only 9.7% of 2021 retirees achieved 30 years of service. Only 1% of 2021 retirees received a benefit more than their final average salary, which is down from a high of 17.4% in 2002, but this group also averaged 38 years of service.

Prior to the passage of SB 1049 (2019), most PERS members had restrictions on the number of hours they could work in a calendar year without stopping their pension benefit payments. After the passage of SB 1049, a PERS retiree could choose to return to work for a PERS-participating employer and continue receiving their PERS retirement benefit without any restrictions on the number of post-retirement hours worked (through December 31, 2034), based on HB 2296 (2023). A retiree will accrue no additional PERS retirement benefits and the employer contribution will be credited to an employer account as an additional payment above normal contributions.

The key objective of PERS is to fund long-term liabilities and maintain the solvency of the PERS system. "Long-term" is considered by PERS to match the 20-year amortization period for Tier One/Tier Two pension liabilities. The combined PERS pension system funding level, as of December 31, 2020, was $67.3 billion in assets and $95.3 billion in liabilities for a deficit or Unfunded Actuarial Liability of $28 billion; however, $5.1 billion in pre-paid employer contributions ("side accounts") reduce the deficit to $22.9 billion and a funded status of 76%. Approximately 71% of the UAL is attributable to members who are no longer in PERS-covered employment.

The PERS Board operates under broad administrative authority to adopt actuarial methods and assumptions; statute vests only the PERS Board with the authority to set the assumed earnings rate. Board-adopted changes directly impact the cost and financing of benefits and can increase or decrease the cost of projected benefit liabilities during a period when neither the Legislature nor voters change the structure of benefits. While projections are based on the assumed rate, results are calculated dependent on final earnings credited, which may be lower or higher than the assumed rate. The Board's adoption of actuarial methods and assumptions aims at achieving 100% funded status of the system by the end of various benefit plan amortization periods.

The PERS Board adopts by administrative rule economic assumptions for regular investment return and variable investment return in a single rate that is referred to as the "assumed earnings rate." The assumed earnings rate is generally defined as the rate of investment return that the PERS Board expects the Public Employees Retirement Fund to earn over the long-term, which is defined as 20 years. The current assumed earnings rate is 6.9%.

Statute gives the PERS Board authority to set the amortization period administratively so long as the period does not exceed 40 years (ORS 238.225). Of note is that the PERS regular amortization schedule is "layered," meaning that each biennium only the incremental increase in the UAL is amortized over a new closed 20-year period. The amortization period for the Oregon Public Service Retirement Plan (OPSRP) remains unchanged at 16 years. The amortization period for the health plans has been increased to a rolling 20-year amortization period based on funded status.

The target investment asset allocation, as determined by the Oregon Investment Council, relies on the returns from private equity (8.83%) and global equity (7.07%) investments to achieve the assumed earnings rate, as other assumed returns fall below the 6.9% assumed rate. These other returns include core fixed income (4.5%), real estate (5.83%), master limited partnerships (6.02%), infrastructure (6.51%), hedge fund/fund of funds (6.27%), hedge fund/equity (6.48%), and hedge fund/macro (4.83%). The weighted overall return is expected to be 7.5%.

OIC is responsible for reviewing investment expenses as part of the investment selection process. Earnings are net of investment expenses, which include investment manager fees; commissions and other fees; investment consultants; and State Treasury expenses. The earnings credited are calculated net of expenses and, as such, are not subject to legislative budgetary control (i.e., expenditure limitation). These expenses totaled $1 billion for fiscal year 2021, or approximately $2 billion a biennium.

PERS is subject to legislative reporting on calendar year earnings crediting, the status of the School Districts Unfunded Actuarial Liability Resolution Program, and changes to actuarial methods and assumptions. In 2019, the Legislature directed the State Treasury to conduct enhanced review of local government Pension Obligation Bond issuances.

Future reforms could disproportionately impact the retirement of employees whose pension benefits have yet to be earned. Of note is that 66% of the UAL is attributed to members who already retired, while 63% of normal costs, or projected benefits for current members, is attributed to OPSRP members who account for just 10% of the UAL. The PERS Board's costing of benefit liabilities (e.g., the assumed earnings rate) coupled with investment return volatility are the actual drivers of pension costs along with Oregon Supreme Court rulings on legislative reforms. With further pension benefit reform options constrained by Supreme Court rulings, the Legislature in 2018 and 2019 turned to a series of initiatives to improve system financing with the primary focus being on incentivizing and funding lump-sum or "side account" contributions to the system.

Legislatively Adopted Budget

The legislatively adopted budget for PERS totals $13.7 billion Other Funds and $28.5 million Lottery Funds and includes 439 positions (436.69 FTE). The budget is $622.2 million, or 4.8%, higher than the 2021-23 legislatively approved budget. Of the Other Funds total, $13.5 billion is for benefit payments to retirees and the remainder for agency operations. The agency's operating budget is a net $6.1 million, or 3.6%, less than the 2021-23 legislatively approved budget due primarily to the elimination of $17.3 million in one-time support for 25% matching funds for eligible employer lump sum payments through the Employer Incentive Fund program.

The adopted budget includes the following major budgetary investments or changes:

- $20.1 million Other Funds and 20 limited duration positions (20.00 FTE) to complete the implementation of pension reforms directed by SB 1049 (2019).
- $11.7 million Lottery Funds (sports betting revenue) for the Employer Incentive Fund to be used for a 25% state match for employer contributions to side accounts.
- $9.6 million Other Funds and 16 limited duration positions (14.41 FTE) for the modernization the agency's core retirement system application.
- $2 million Other Funds for information technology software, hardware, and professional services.
- $1.9 million Other Funds and nine limited duration positions (9.00 FTE) for the ongoing operational cost of implementing SB 1049 (2019).
- $523,653 Other Funds and three limited duration positions (3.00 FTE) to continue the reconciliation of qualifying/non-qualifying employment eligibility.
- $367,960 Other Funds plus $500,000 Other Funds in existing funding for a health insurance consulting contract.
- $161,205 Other Funds and one permanent full-time position (0.88 FTE) to assist with member call escalations and to manage sensitive/complex retirement cases.
- $90,585 Other Funds and five positions (4.40 FTE) plus $1 million Other Funds in existing services and supplies to insource services currently performed by contractors that manage the agency's retirement system applications.

Tiers One and Two and Judgeship Pension Plans

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds (NL)	10,277,730,706	11,105,880,836	11,662,157,523	11,662,157,523
Total Funds	**$10,277,730,706**	**$11,105,880,836**	**$11,662,157,523**	**$11,662,157,523**

Program Description

The Tier One and Tier Two and Judge Member Program includes employee and employer contributions, earnings, and pension payments related to these plans. Tier One covers members hired before January 1, 1996, while Tier

Two covers members hired between January 1, 1996, and August 28, 2003, with Tier Two providing a slightly higher normal retirement age and less generous benefits. Members are categorized as either general service, police and fire, or judges, with each having a different retirement benefit. The Tier One and Tier Two are closed plans. Public employees hired after August 28, 2003, are members of the Oregon Public Service Retirement Plan (OPSRP), discussed below.

Retirement benefits are based on a member's tier and the highest calculation benefit methodology after a member selects one of 13 different pension payment options for how to receive their benefit payment:

- Tier One — Full Formula, Formula Plus Annuity, or Money Match
- Tier Two — Full Formula or Money Match

The calculation methodologies for Tier One/Tier Two Full Formulas are:

- General Service members — 1.67% multiplied by years of service credit × final average salary
- Police and Firefighter members — 2% multiplied by years of service credit × final average salary

For Money Match, the employer matches the member account balance by an equal amount. From that total, a monthly payment amount is then calculated based on life expectancy. Most Tier One and Tier Two members retire under the Full Formula method. Tier Two members are unlikely to have Money Match as their highest calculated benefit because their account balances are generally lower due to having their employee contribution redirected from a member account to the Individual Account Program. In 2021, the Full Formula accounted for 95.3% of benefits, Money Match 4.1% of benefits, and 0.3% of benefits for Formula Plus Annuity.

In 1943, the Legislature created the Judges Retirement Fund for state statutory judgeships, including judges of the Supreme Court and Circuit Court. Two years later, the Legislature created the Oregon Public Employees Retirement System for all other state public employees. Since judges had their own separate retirement plan, they were not eligible to join PERS. In 1984, the Legislature allowed the transfer of all sitting judges covered under the Judges Retirement Fund, including district court judges who were previously considered regular PERS members, to join the Judge Member Program and thereafter the Judges Retirement Fund became closed to new participants. A judge may select to participate in the Variable Account investment option.

A judge may voluntarily choose to retire under one of two options: Plan A, which is a maximum benefit cap of 65% of final average salary, or Plan B, which is a maximum benefit cap of 75% of final average salary under the condition that the judge member works 35 days per year for five years as a judge pro-tempore. Most judges retire under Plan B due to two factors: an enhanced retirement benefit and a statutory provision that provides for health insurance coverage while serving as a Plan B judge. A judge member faces a mandatory retirement at a maximum of 75 years of age.

<u>Revenue Sources and Relationships</u>
Tier One and Tier Two estimated revenue for 2023-25 totals $17.2 billion, of which investment earnings total $11.9 billion, with $5.3 billion from a combination of employer and employee contributions. Other Funds revenue is mainly from employer contributions and retirement trust fund investment earnings. A nominal amount of revenue comes from employee contributions by employees, primarily judge members; however, judge member contributions are paid by the state. Employer contribution rates are established by the PERS Board based on advice from its consulting actuary. The program's administrative costs are budgeted under various operational programs and supported by revenue transfers to those programs.

If earnings are insufficient to pay for administrative expenses of the Tier One and Tier Two and Judge Member Program plans, then those expenses come from OPERF earnings (OAR 459-007-0005). Such costs are not recouped in future years when Variable Account earnings exceed expenses. Tier One member regular accounts and judge member accounts are credited with the assumed earnings rate or, when market earnings have been less than the assumed earnings rate, a reserve balance has been used to make up the difference.

Budget Environment

Tier One has 151,538 members as of December 31, 2021. This includes 12,225 active, 9,517 inactive, and 129,796 retired members and beneficiaries. The average age for Tier One retired members and beneficiaries is 73.6 years and the average monthly benefit is $3,184.

Tier Two has a total of 61,684 members as of June 30, 2021. This includes 27,975 active, 13,546 inactive, and 20,163 retired members and beneficiaries. The average age for Tier Two retired members and beneficiaries is 68.8 years and the average monthly benefit is $1,323.

The Judge Member Program, which is included in the Tier One program totals, has a total of 491 members as of December 31, 2021. This includes 189 active, 19 inactive, and 283 retired members and beneficiaries. The average age for the Judge Member Program is 68.0 years and the average monthly benefit is $6,926. Judges are also eligible to participate in the PERS' Health Insurance Program that offers optional medical, dental, and long-term care insurance plans.

Tier One and Tier Two has a combined actuarial accrued liability of $86.6 billion and actuarial value of assets of $68.1 billion, leaving an unfunded accrued liability of $18.5 billion (79% funded) as of the December 31, 2021 valuation. These figures exclude $5.1 billion in pre-paid employer contributions or side accounts. By including side accounts, the funded status improves to 86.4%. The UALs for Tier One and Tier Two are amortized over 20-years.

Tier One and Tier Two are comprised of rate pools for voluntary participation by state and local governments and mandatory participation by school districts and educational service districts. Tier One and Tier Two have an annual payroll valuation of $3.5 billion. The average employer contribution for Tier One and Tier Two plans is summarized in the following table:

Tier One/Tier Two Pension Contribution Rates - *General Service and Police and Fire Combined*	Effective 07/01/2021	Effective 07/01/2023
Normal cost	14.92%	15.91%
T1/T2 UAL rate with rate collar	13.04%	13.07%
OPSRP UAL rate with rate collar	1.69%	1.69%
Total Pension Rate	29.65%	30.67%
Average adjustment	(6.64%)	(7.03%)
Member redirect offset	(2.45%)	(2.40%)
Employer Pension Rate	20.56%	21.24%

The Judge Plan has an average annual payroll valuation of $29.6 million and is a non-pooled plan. The employer contribution rate, which includes the judge member or employee contribution, is summarized in the following table:

Judge Member Program	Effective 07/01/2021	Effective 07/01/2023
Normal cost	19.54%	19.65%
UAL rate with rate collar	9.47%	4.91%
Employer Pension Rate	29.01%	24.56%
Member pension contribution rate	7.00%	7.00%
Total Pension Rate	36.01%	31.56%

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Tier One and Tier Two and Judge Member Program totals $11.7 billion Other Funds Nonlimited. This is an increase of $556.3 million, or 5%, from the 2021-23 legislatively approved budget and is set at a level expected to cover projected benefit payments.

Employer Resolution Programs

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	64,570,045	17,250,000	--	--
Lottery Funds	--	19,461,706	16,792,239	$28,527,388
Other Funds	64,751,802	17,250,001	2	2
Total Funds	**$129,321,847**	**$53,961,707**	**$16,792,241**	**$28,527,390**

Program Description
In 2018, the Legislature established the Unfunded Actuarial Liability Resolution Program (UALRP) to assist employers in managing their projected employer rate changes. Employer participation in the program is mandatory. The PERS Board established, by administrative rule, the minimum requirements for an employer plan, and provides technical expertise in the development of the plan upon request. Program expenses are authorized to be paid from the Employer Incentive Fund.

Lump-sum payments, or side accounts, are used to offset a portion of the contributing employer's PERS contribution rate according to an amortization schedule which is typically 20 years. Employers making a payment from un-borrowed funds of $10 million or more may select an amortization period of six, 10, 16, or 20 years; they might also choose to defer their offset for several years, pausing any amortization until the future rate offset date.

Side account balances are never entirely utilized in a single biennium. Employers without a side account pay the employer contribution rate without any offset. Side accounts, tracked separately from other employer reserves in the Oregon Public Employees Retirement Fund, are assets of the PERS system and reduce a participating individual employer's net unfunded pension actuarial accrued liability. Once deposits are made into side accounts, employers are unable to withdraw or repurpose the funds. Employees have no vested interest in side accounts as they are an asset of a participating employer not employee. The state also has no ability to access (or re-appropriate) side account balances as they are held in statutory trust accounts.

SB 1566 (2018) established the School Districts Unfunded Liability Fund (SDULF). The PERS Board plans to transfer available funds into a school district's pooled side account when those funds provide a rate offset for the entirety of the pool, at which time the state would relinquish financial interest in the funds. The Board is to proportionately distribute, based upon administrative rule and an amortized basis, the pooled school district side account among all school districts as an offset to employer contribution rates. The pooled school districts side account is counted as an asset for actuarial valuation purposes.

SB 1566 also established an Employer Incentive Fund (EIF) to be used to provide up to a 25% match for employer side accounts, which are for pre-paid employer contributions held in trust by PERS. Once deposited, side account funds may not be withdrawn except for the payment of employer contributions. All PERS entities, including school districts, community colleges, and public universities, are eligible to participate in the matching funds program subject to providing a minimum cash contribution of $25,000 and participating in the Unfunded Actuarial Liability Resolution Program.

Revenue Sources and Relationships
The School Districts Unfunded Liability Fund may be funded by excess revenue from debt collection, capital gains, estate taxes, interest on unclaimed property, and interest earnings. Of these dedicated revenue streams, three are slated to repeal or sunset during the 2023-25 biennium: excess capital gains, excess estate tax, and excess

debt collections. Only excess estate tax and the unclaimed property transfer have or are expected to produce revenue for the SDULF. The Employer Incentive Fund is funded from Lottery Funds generated from sports betting, one-time General Fund, when appropriated, and interest earnings.

Budget Environment

Since the SDULF was established, there have been no expenditures from the fund. The PERS Board has chosen not to deploy deposits to offset school district pool rates until the balance reaches a threshold of 1% of the school district's payroll multiplied by an amortization factor of approximately 5.16%. For the 2023-25 biennium, the threshold would be $466.5 million, based on the school district's payroll valuation ($9 billion or $90.4 million) multiplied by the 5.16% amortization factor. PERS reports that the balance of the SDULF is well below the threshold.

In contrast to the SDULF, the EIF has expended funds from the account. For the 2019-21 biennium, the EIF increased employer side accounts by $342.4 million, which includes $272.8 million in employer contributions, $64.8 million in state General Fund match, and $4.9 million for payment of transition liability payments. After the conclusion of the inaugural EIF application cycle in the 2019-21 biennium, 44 employers with $148 million in employer contributions remained on a waitlist pending $36.6 million in state matching funds becoming available. After accounting for $19.5 million in forecasted sports betting revenue (March 2022), the 2022 Legislature appropriated $17.1 million in supplemental General Fund to fully fund the matching funds requirement for waitlisted entities. PERS will open a new round of EIF applications once all waitlisted employers who participate are matched, and the fund reaches a minimum balance of $25 million. An additional $32.7 million in EIF matches were made during the 2021-23 biennium.

SB 1566 allows an entity making a lump sum cash payment of $10 million or higher into a side account to choose an amortization period of six years, 10 years, 16 years, or 20 years. These are non-EIF matched side account contributions of which a total of $107 million was deposited during the 2019-21 biennium, but there have been no further lump sum payments.

Legislatively Adopted Budget

The legislatively adopted budget for Employer Resolution Programs is $28.5 million, which is a decrease of $25.4 million, or 47.1%, from the 2021-23 legislatively approved budget. The budget includes $28.5 million Lottery Funds for the EIF and two $1 placeholders for the corresponding employer match and the School Districts Unfunded Liability Fund. The adopted budget also includes the following investments:

- $7.3 million for the allocation of net sports betting revenue dedicated to the Employer Incentive Fund (EIF) to reconcile to the May 2023 Department of Administrative Services - Office of Economic Analysis revenue forecast. With this adjustment, the Public Employees Retirement System's Lottery Funds total is $28.5 million, which is sufficient for another EIF application period during the 2023-25 biennium.
- $4.4 million for the allocation of net sports betting revenue dedicated to the Employer Incentive Fund based on the March 2023 Department of Administrative Services - Office of Economic Analysis revenue forecast. An additional adjustment may be necessary based on the May 2023 revenue forecast.

Oregon Public Service Retirement Pension Plan

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds (NL)	108,486,320	109,636,842	160,874,644	160,874,644
Total Funds	**$108,486,320**	**$109,636,842**	**$160,874,644**	**$160,874,644**

Program Description

The Oregon Public Service Retirement Pension (OPSRP) program serves public employees who began public employment after August 28, 2003. Members are categorized as either general service or police and fire with each having a different retirement benefit. The OPSRP pension program is funded solely by employer contributions and investment earnings. The plan has a higher retirement age and less generous benefits than the Tier One and Tier Two programs. Unlike Tier One and Tier Two plans, OPSRP is a single statewide pooled plan for all employer groups. The OPSRP UAL is amortized over 16 years, which is four years less in duration than that of Tier One and Tier Two pension plans. OPSRP is a single statewide pooled plan for all employer groups. An OPSRP member has five different options for how to receive their benefit payment. The retirement calculation methodology is limited to a single formula (i.e., no money match).

Revenue Sources and Relationships

Estimated OPSRP revenue for 2023-25 totals $4 billion, of which investment earnings total $1.5 billion, with $2.5 billion from a combination of employer and employee contributions. Other Funds revenue is only from employer contributions and retirement trust fund investment earnings. Employer contribution rates are established by the PERS Board based upon advice from its consulting actuary. OPSRP accounts have no guaranteed return. Returns are based on market returns produced by the Oregon Investment Council. The program's administrative costs are budgeted under various operational programs and are supported by revenue transfers from this program to those programs.

Budget Environment

OPSRP has a total of 174,843 members as of December 31, 2021, which includes 137,539 active, 27,678 inactive, and 9,626 retired members and beneficiaries. Program growth continues to be significant as OPSRP is the only open PERS retirement plan for new employees. OPSRP now has more members than the Tier One or Tier Two plans combined.

At retirement, all OPSRP members who are vested and eligible to retire can receive a monthly pension benefit for life. At retirement, OPSRP members have five different options for how to receive their pension benefit payments. The pension benefit is calculated using the following formulas:

- For General Service members: 1.5% multiplied by years of total retirement credit × final average salary.
- For Police and Firefighters: 1.8% multiplied by years of total retirement credit × final average salary.

OPSRP has an actuarial accrued liability of $11.8 billion and actuarial value of assets of $10.3 billion, leaving an unfunded accrued liability of $1.6 billion (87% funded) as of the December 31, 2021 valuation. OPSRP is comprised of a single, statewide rate pool for all employers and has an annual payroll valuation of $9.2 billion and includes both General Service and Police and Fire participants. The average employer contribution for OPSRP is summarized in the following table:

OPSRP Pension Contribution Rates - *General Service Only*	Effective 07/01/2021	Effective 07/01/2023
Normal cost	8.64%	9.89%
T1/T2 UAL rate with rate collar	13.04%	13.07%
OPSRP UAL rate with rate collar	1.69%	1.69%
Total Pension Rate	23.37%	24.65%
Average adjustment	(6.64%)	(7.03%)
Member redirect offset	(0.70%)	(0.65%)
Employer Pension Rate	16.03%	16.97%

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for OPSRP totals $160.9 million Other Funds Nonlimited, which is an increase of $51.2 million, or 46.7%, from the 2021-23 legislatively approved budget and is set at a level expected to cover projected benefit payments.

Individual Account Program

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds (NL)	1,181,026,808	1,2998,603,848	1,482,829,663	1,482,829,663
Total Funds	**$1,181,026,808**	**$1,298,603,848**	**$1,482,829,663**	**$1,482,829,663**

Program Description

The Individual Account Program (IAP) is the defined contribution component of the PERS retirement plan and is funded by member contributions. The IAP was instituted as part of PERS reform legislation passed during the 2003 legislative session. Prior to 2003, member contributions were made directly into Tier One and Two member accounts. Reform legislation redirected subsequent Tier One and Two member contributions into IAP accounts beginning January 1, 2004, which was also a requirement for OPSRP members. As originally conceived, the IAP was estimated to pay approximately 15-20% of retiree's final average salary (for a 30-year career) based on the assumed earnings rate at the time the program was created (8%). The assumed rate has since been lowered and is now 6.9%.

Prior to 2020, statute required PERS members to contribute an amount equal to 6% of eligible salary to an IAP account. Based on reforms enacted in SB 1049 (2019) and subsequently modified by HB 2906 (2021), Tier One and Tier Two members contribute 3.5% of salary to their IAP accounts and OPSRP members contribute 5.25% to IAP accounts, with the balance of the 6% contributed to each employee's Employee Pension Stability Account. The redirected contribution is used to partially, and prospectively, fund an employee's defined benefit or pension plan. The redirect of member contributions occurs only if the PERS funded status is less than 90% funded and an employee's earnings are more than $3,333 per month, or approximately $40,000 per year with annual adjustments for inflation. The 2023 monthly threshold is $3,570. Redirected funds lower the employer contribution resulting in employer savings. Employees can voluntarily contribute into their IAP account the amount of redirected funds on an after-tax basis.

At retirement, members will receive the balance of their IAP account and accrued earnings as well as any Employee Pension Stability Account residual balance. IAP accounts are invested by OIC in a series of Target Date Fund vintages that adjust the assets and riskiness of each member's IAP based on their age or, by member choice, may be invested in an alternative age-based target fund. At retirement, IAP dollars are paid in either a lump-sum payment or in equal installments over five, 10, 15, or 20 years, or over the member's expected lifetime. IAP payouts may also be transferred to Oregon Savings Growth Plan accounts, or any other qualified plan, upon withdrawal or retirement. The program's administrative costs are budgeted under various operational programs and are supported by revenue transfers to those programs. The cost of a third-party administrator contract totals approximately $4.6 million.

Revenue Sources and Relationships

OPSRP revenue totaled $3 billion, of which investment earnings totaled $1.6 billion, and $1.4 billion from a combination of employer and employee contributions. If the PERS funded status is less than 90% funded including side accounts, and an employee's earnings are more than the current 2023 monthly threshold of $3,703, the IAP requires Tier One and Tier Two members to contribute 3.5% of salary to their IAP accounts, and OPSRP members contribute 5.25% to IAP accounts, with the balance of the 6% contributed to each employee's Employee Pension Stability Account. If less than the current monthly cap, the member contributes a full 6% to the IAP.

Some employers "pick-up" or pay the 6% employee contribution based on collective bargaining contracts. While historically the "pick-up" was in lieu of a salary increase, some negotiated collective bargaining agreements, beginning with the 2015-17 biennium, have the employee paying the 6% contribution in exchange for off-setting salary and wage increases.

An IAP account has no guaranteed return. Returns are based on market returns produced by the OIC. Member accounts earnings crediting occurs once each calendar year based on the Target Date Fund the member is in.

Budget Environment

As of December 31, 2020, the total value of all IAP accounts was $11.2 billion comprising 292,983 active IAP accounts with an average account balance of $38,330 and over 17,633 accountholders receiving a payment. After the close of the legislative session in 2017, the OIC voted to move the IAP to a target date fund solution beginning January 2, 2018 with the investments being managed by both OIC and other fund managers. This is an age-based approach that moves a member's IAP assets into an increasingly conservative investment portfolio, which may impact member earnings and, ultimately, their retirement benefit. Since its inception on January 1, 2004, the IAP had been invested no differently than other assets in the Oregon Public Employees Retirement Fund.

Legislatively Adopted Budget

The legislatively adopted budget for IAP totals $1.5 billion Other Funds Nonlimited, which is an increase of $184.2 million, or 14.2%, from the 2021-23 legislatively approved budget. The budget is set at a level expected to cover projected retirement system benefit payments.

Retirement Health Insurance Programs

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds (NL)	127,105,247	372,492,067	217,258,687	217,258,687
Total Funds	**$127,105,247**	**$372,492,067**	**$217,258,687**	**$217,258,687**

Program Description

The PERS Health Insurance Program offers optional medical, dental, and long-term care insurance plans to eligible Tier One/Tier Two retired members, judges, their spouses, and dependents. Upon retirement, these insurance options become a choice available to all PERS retired members. While primarily serving the Medicare-eligible population, the PERS Health Insurance Program (PHIP) also offers insurance coverage options for those not yet Medicare eligible. Active members, their spouses, and dependents are not eligible for this program. These plans are permitted under 401(h) plans under Internal Revenue Service code. Administrative staffing of the Health Insurance Program is budgeted under the Operations Division.

The PERS Retiree Health Insurance program is available for Tier One, Tier Two, and Judge Member Program retirees that meet enrollment and eligibility requirements. Premiums are paid by PERS to the carriers that participate in the program with funding from member benefits, premium subsidies, and member payments. These payments are administered through the Standard Retiree Health Insurance Account (SRHIA). Only Tier One and Tier Two retired members are eligible for the following subsidies, which are funded as part of participating employer's rates:

- Retiree Health Insurance Premium Account (RHIPA) – provides an insurance premium subsidy for non-Medicare coverage. The subsidy is a percentage of the cost difference between the retired member coverage available through PHIP and the state employee coverage available under the Public Employees Benefits Board. Only retired members who have eight or more years of qualifying service and retire from a state agency are eligible. The amount of the subsidy varies with years of state service, from 50% to 100% of the difference.
- Retirement Health Insurance Account (RHIA) – provides a $60 health insurance premium subsidy for eligible retired members who had eight or more years of qualifying service with any PERS employer and are eligible and enrolled in Medicare. Member health and dental insurance premiums are paid by the member through pension deductions, direct payments, and electronic funds transfer. Premium payments are then remitted by PERS to the health insurance carriers.

Revenue Sources and Relationships

PERS Health Insurance Program revenue totaled $224 million, of which investment earnings totaled $120.4 million, $65.2 million in insurance premiums, and $38.4 million from employee and employer contributions. SRHIA revenues come from member-paid insurance premiums with additional revenues provided from federal sources (Medicare and Medicaid) and investment earnings on those contributions. The RHIPA and RHIA programs are funded from employer contributions and the return on investment of those contributions, which include funding for any unfunded liability. These funds are held in the Public Employees Retirement Fund. The program's administrative costs are budgeted under the Operations Division and supported by revenue transfers to those programs.

Budget Environment

RHIA has 42,750 retired members receiving benefits and RHIPA has 675 retired members. The RHIA funding level, as of December 31, 2021, was $763.2 million in assets and $369.2 million in liabilities for a surplus of $394 million and funded status of 207%. RHIPA has $82.9 million in assets and $45.9 million in liabilities for a surplus of $37 million and a funded status of 180%.

The amortization periods for the health plans have been increased to a rolling 20-year amortization period when the funded status of the health plans exceeds 100% funded status as they are at present. Should the funded status fall below 100% in future periods, the newly arising UAL will be amortized over a closed ten-year amortization period. The average employer contribution rates for the Health Insurance Program are summarized in the following table; however, no rates will be charged during the 2023-25 biennium due to the overfunded status of the program:

Retiree Healthcare Contribution Rates Effective 07/01/2023	State Agencies and Judges	All Other Employers
Normal cost		
RHIA	0.04%	0.04%
RHIPA	0.09%	--
UAL Rates		
RHIA	(0.04%)	(0.04%)
RHIPA	(0.09%)	--
Total Retiree Healthcare Rate	0.00%	0.00%

Legislatively Adopted Budget

The legislatively adopted budget for the Retirement Health Insurance Program totals $217.3 million Other Funds Nonlimited, which is a decrease of $155.2 million, or 41.7%, from the 2021-23 legislatively approved budget. The budget is set at a level expected to cover projected retirement system benefit payments.

Central Administration Division

	2019-21 Actuals	**2021-23 Legislatively Approved**	**2023-25 Current Service Level**	**2023-25 Legislatively Adopted**
Other Funds	5,950,617	18,629,604	19,214,556	19,641,032
Total Funds	**$5,950,617**	**$18,629,604**	**$19,214,556**	**$19,641,032**
Positions	21	51	51	54
FTE	20.92	51.00	51.00	54.00

Program Description
Central Administration, in conjunction with the PERS Board, provides the central direction, planning, and leadership for PERS. The division is comprised of agency leadership positions, including the director, deputy director, and senior policy advisor, as well as the Strategic and Operational Planning, Communications, Human Resources, Procurement, and Facilities and Logistics sections.

Revenue Sources and Relationships
ORS 238.610 directs the administrative operations expenses for the agency to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

Budget Environment
Agency governance and management have entered a period of stability after turnovers with agency leadership and key management staff, as well as the Board Chair and Board member positions. PERS headquarters is a state-owned facility located in Tigard, Oregon, and requires periodic deferred maintenance investments.

Legislatively Adopted Budget
The legislatively adopted budget for the Central Administration Division totals $19.6 million Other Funds, which is an increase of $1 million, or 5.4%, from the 2021-23 legislatively approved budget and includes 54 positions (54.00 FTE). The adopted budget includes the following major budgetary investments or changes:

- $382,557 Other Funds and two full-time limited duration Electronic Publication Design Specialists 3 positions (2.00 FTE) for the ongoing operational cost of Senate Bill 1049 (2019).
- $143,861 Other Funds and one permanent full-time Office Specialist 2 position (1.00 FTE) to support the Procurement, Facilities, and Logistics Section with the mail, distribution, and printing workloads, as well as general administrative duties.

Financial and Administrative Services Division

	2019-21 Actuals	**2021-23 Legislatively Approved**	**2023-25 Current Service Level**	**2023-25 Legislatively Adopted**
Other Funds	30,956,298	22,641,148	24,400,400	22,679,994
Total Funds	**$30,956,298**	**$22,641,148**	**$24,400,400**	**$22,679,994**
Positions	63	35	34	34
FTE	62.52	35.00	34.00	34.00

Program Description
The Financial and Administrative Services Division (FASD) is comprised of the following sections: Financial Reporting; Actuarial Services; Accounting and Cash Transactions; and Budget, Fiscal Analysis, and Payroll. The division provides comprehensive financial and administrative services to the agency. This includes financial, accounting, reporting, and tax services for all PERS’ Trust and agency fund activities, and health insurance programs. Other activities include preparation, maintenance, and reporting of the agency’s biennial budget, coordination of actuarial services, fiscal analysis, and accounts receivable and payable.

Revenue Sources and Relationships
ORS 238.610 directs the administrative operations expenses for the agency to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

Budget Environment
PERS contracts with a firm to benchmark the agency's benefit administrative efficiency against peer retirement systems. According to the most recent study (2021), PERS has the second highest complexity scores in North America. High complexity can negatively impact service, front office productivity, and back-office costs. The study further notes that PERS had a pension administration cost of $182 per active member and an annuitant cost that was $63 above the peer average of $117. The reasons are lower transactions per full-time equivalent position and higher costs for back-office activities, primarily information technology. PERS had a relative complexity score of 56, which was the second highest in the database; the peer mean was 40.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Financial and Administrative Services Division totals $22.7 million Other Funds, which is an increase of $38,846, or 0.2%, from the 2021-23 legislatively approved budget and includes 34 positions (34.00 FTE). The adopted budget includes a transfer of $500,000 Other Funds to the Operations Division for the Health Insurance Program, which is responsible for paying for the PHIP contract administrator. These funds will offset some of the costs for the new three-year contract signed on October 20, 2021.

Information Services Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	26,411,457	30,200,665	30,823,085	34,206,928
Total Funds	**$26,411,457**	**$30,200,665**	**$30,823,085**	**$34,206,928**
Positions	69	78	78	89
FTE	68.76	77.88	78.00	88.40

Program Description
The Information Services Division (ISD) is comprised of the following sections: Enterprise Applications; Enterprise Content Management; Technical Operations; and Support Administration. The division provides technical support to all agency divisions. ISD ensures agency staff have the tools and automation necessary to perform their duties and provide customer service to members, employers, and other stakeholders. The division supervises the development and operation of PERS' IT systems and supports the desktop computers used by staff. Help Desk support, installation and training, software development, application support, database management, network support, and quality assurance all fall under ISD's responsibilities. In addition, the Imaging and Information Management unit within the Business Information and Technology section maintains records from numerous sources.

Revenue Sources and Relationships
ORS 238.610 directs the administrative operations expenses for the agency to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

Budget Environment
ISD operates in a complex and demanding information technology environment. The core systems used by PERS include the Oregon Retirement Information On-Line Network (ORION) developed in 2004, and JClarety, which was developed in 2005. Utilizing these systems and a host of ancillary applications, PERS manages the retirement accounts of all members while processing payments to over 160,000 retirees each month.

PERS migrated from the PERS Data Center from Headquarters in Tigard to the Department of Administrative Services - State Data Center (SDC) under a co-location model in 2022. In addition, PERS is working to implement a Disaster Recovery warm site, but completion has been delayed indefinitely.

Legislatively Adopted Budget

The legislatively adopted budget for the Information Services Division totals $34.2 million Other Funds, which is an increase of $4 million, or 13.3%, from the 2021-23 legislatively approved budget and includes 89 positions (88.40 FTE). The adopted budget includes the following major budgetary investments or changes:

- $2 million Other Funds for information technology software and hardware.
- $1.3 million Other Funds, which includes establishing six full-time limited duration positions (6.00 FTE), and $39,000 in associated services and supplies, for the ongoing operational cost of SB 1049 (2019).
- $90,585 Other Funds and five permanent full-time positions (4.40 FTE) and reduction of professional services by $1 million for the insourcing of information technology staff.

Operations Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	37,734,161	45,324,157	47,099,330	48,866,552
Total Funds	**$37,734,161**	**$45,324,157**	**$47,099,330**	**$48,866,552**
Positions	207	203	200	205
FTE	206.52	202.16	200.00	204.88

Program Description

The Operations Division is comprised of the following sections: Benefit Preparation; Member Services; Data Services; Benefit Calculations; PERS Health Insurance Plan; Oregon Savings Growth Plan; and State Social Security Program. The current structure results from an agency-requested reorganization plan involving the former Benefits, Customer Service, and parts of the Policy, Planning and Communications Divisions member and employer facing sections.

The Benefit Preparation Section has a Specialty Calculations and Intake and Processing section and is responsible for processing all incoming benefit applications and related documents, establishing disability and death benefits, and administering divorce decrees. The Specialty Calculations area calculates retirements and benefit estimates, purchases, and IAP disbursements. Member Services directly interfaces with members by answering queries from the Online Member Services internet tool and an in-house phone team, as well as in-person through group and individual counseling and planning sessions and provision of member account statements. Data Services houses the Employer Service Center while the Member Account Adjustment Team and Data Integrity Group enrolls and manages member data and accounts and handles employer reporting, training, outreach, and communication including the annual reconciliation process.

PERS also administers the *voluntary* deferred compensation plan for state and local governments entitled the Oregon Savings Growth Plan (OSGP). There is no state funding associated with the OSGP or guarantees of underlying investments or investment returns. OIC establishes a program for the investment of OSGP funds. Deposits are invested through State Treasury and administered by a private third-party administrator (Voya Financial). PERS costs to administer the program are budgeted under the Operations Division with revenue coming from gross OSGP revenues and earnings. Contributions to and benefits and refunds from the OSGP are not subject to state budgetary control.

Revenue Sources and Relationships

ORS 238.610 directs the administrative operations expenses for the agency to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

Budget Environment
The Operations Division processed approximately 13,500 employer reports containing an estimated 3.5 million member records. In 2022, the division handled 190,203 incoming member and employer phone calls, calculated 14,845 eligibility reviews, 9,212 written benefits estimates, 56,875 online benefit estimates and 16,470 retirements. PERS has a target date to pay retirements in 45 days and is meeting that target 80% of the time.

State agencies, as well as approximately 339 local governments, offer the OSGP. Some local governments, public universities, community colleges, and school districts cannot offer the OSGP because they offer alternative 457 or 403(b) plans not administered by PERS. In total, the OSGP has assets of $2.8 billion and 36,623 total participants (30,012 are state employees) as of June 30, 2022, with an average account balance of $78,200 per participant. There are 22,629 participants who are active contributors to the plan with an average monthly contribution of $504.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Operations Division totals $48.9 million Other Funds, which is an increase of $3.5 million, or 7.8%, from the 2021-23 legislatively approved budget and includes 205 positions (204.88 FTE). The adopted budget includes the following major budgetary investments or changes:

- $867,960 Other Funds to fund a portion of the professional services consulting contract under the Operations Division, Health Insurance Program. The estimated 2025-27 biennial cost for these services is $1.2 million Other Funds.
- $523,653 Other Funds and one limited duration full-time Retirement Counselor 1 position (1.00 FTE) and two limited duration full-time Retirement Counselor 2 positions (2.00 FTE).
- $166,613 Other Funds and one full-time limited duration Retirement Counselor 1 position (1.00 FTE).
- $161,205 Other Funds and one permanent full-time Retirement Counselor 2 position (0.88 FTE).
- $58,744 Other Funds and four position upward reclassifications.

Compliance, Audit, and Risk Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	7,519,413	9,800,788	10,470,390	10,378,143
Total Funds	**$7,519,413**	**$9,800,788**	**$10,470,390**	**$10,387,143**
Positions	20	21	21	21
FTE	20.00	21.00	21.00	21.00

Program Description
The Compliance, Audit, and Risk Division handles policy and compliance functions to insure state and federal law requirements are being met through agency policy development, administrative rules, and appeals and contested cases over agency determinations. This division is also responsible for enterprise risk management, information security, and internal audit services. In addition, the division supports the PERS Board's Audit Committee. The division is comprised of four sections: Internal Audit; Policy Analysis and Compliance; State Social Security Program; and Security and Risk Management, which is a recently formed section that has been in the process of setting up a Cybersecurity, Business Continuity, and Disaster Recovery program for the agency.

Revenue Sources and Relationships
ORS 238.610 directs the administrative operations expenses for the agency to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers. ORS 237.420 allows PERS to set a rate to cover the cost of administering the Social Security program.

Budget Environment
PERS, by statute, prepares an Annual Comprehensive Financial Report. PERS is also audited annually by an external audit firm hired by the Secretary of State's Audits Division. Of note, PERS does not audit the eligibility of employees in pension benefit plans.

In 2022, the Policy Analysis and Compliance Section had 262 appeals and 41 contested cases. For calendar year 2020, the section had 201 appeals and 28 contested cases. Information technology challenges involving cybersecurity, business continuity, and disaster recovery have been of significant concern. In 2017, the Legislature provided direction and funding to PERS to resolve the deficiencies.

The PERS Board has an Audit and Risk Subcommittee to oversee the performance of PERS' internal audit function, which includes information security, business continuity and disaster recovery. PERS has completed four external audits and eleven internal audits. There has also been an independent actuarial review of the reasonableness and consistency of actuarial methods and assumptions adopted by the PERS Board, as required by statute. PERS has also conducted "equal to or better than" reviews, as required by statute every 12 years, of entities that have chosen to be exempt from participation in PERS. PERS has also continued participation in a national benchmarking survey of North American pension plans.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Compliance, Risk, and Audit Division totals $10.4 million Other Funds, which is an increase of $586,355, or 6%, from the 2021-23 legislatively approved budget and includes 21 positions (21.00 FTE). The adopted budget includes no new investments.

Core Retirement System

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	26,012,230	27,765,009	--	29,704,845
Total Funds	**$26,012,230**	**$27,765,009**	**--**	**$29,704,845**
Positions	37	41	--	36
FTE	33.56	37.63	--	34.41

Program Description
The Core Retirement Systems Applications Division was established to budget all project-related costs related to PERS' implementation of SB 1049 (2019) as well as to track and account for any future large-scale information technology modernization initiatives.

Revenue Sources and Relationships
ORS 238.610 directs the administrative operations expenses for the agency to be paid from earnings on the Public Employees Retirement Fund or, in years when such earnings are insufficient, through a direct charge to participating public employers.

Budget Environment
SB 1049 (2019) enacted the following legislative reforms of the PERS system:

- Re-amortizes on a one-time basis Tier One and Tier Two Unfunded Actuarial Labilities from 20 years to 22 years, after which point the amortization schedule for these benefit plans reverts to 20 years. This change is for the 2019 actuarial valuation only.
- Redirects a portion of employee contributions from the employee's defined contribution plan, the Individual Account Program (IAP), to partially fund prospectively an employee's defined benefit or pension plan (Employee Pension Stability Account) if the PERS funded status is less than 90% funded and

an employee's earnings are more than $3,333 per month or approximately $40,000 per year. The 2023 monthly threshold is $3,570. Redirected funds will lower or offset the employer contribution resulting in employer savings. Employees can opt to voluntarily contribute into their IAP account the amount of redirected funds on an after-tax basis.

- Places a limit on the final average salary used for pension benefit calculations of $195,000 for Tier One, Tier Two, and OPSRP employees retiring under Formula Plus Annuity and Full Formula benefit plans and for service beginning on or after January 1, 2020. The $195,000 cap is indexed to inflation on an annual basis. The current 2023 limit is $225,533 per year.
- Eliminates restrictions on annual hours of employment for retired workers and the exemption on employers paying contributions on retired member payroll, beginning January 1, 2020. Employers must continue making employer contributions with regard to a participating retired member; however, such retirees will accrue no additional PERS retirement benefits. The employer contribution will be credited to an employer account as an additional payment above normal contributions. The return-to-work provision sunsets on December 31, 2034 pursuant to HB 2296 (2023).

PERS was provided $39 million in funding in 2019-21 to complete implementation of SB 1049 with all work to be completed by June 30, 2021. While significant work was completed, only the Salary Limit Project was completed prior to the legislatively requested July 1, 2021 due date. Employer Programs was not completed until July 17, 2021 and Member Choice was not completed until August 4, 2021. In addition, a key interface for Work After Retirement was missed, which pushed its implementation into January of 2022. Technical debt will be completed by February of 2024. Due to significant scope changes, the Member Redirect project's completion date has been re-baselined to June of 2025. In summary, the implementation of SB 1049 has proved more complex, time-consuming, and costly than originally estimated. Total project costs are currently estimated to be $70 million, which excludes the cost of approximately 110 other PERS staff who have been involved with the implementation of SB 1049. The project's final completion date was recently extended to June of 2025. Completion of the Member Redirect project remains critical due to revenue offsets to employer contributions estimated to be $300 million per biennium.

The Legislature has fully funded the SB 1049 program, including a contract with project management firms and various information technology vendors. The Department of Administrative Services - Office of Chief Information Officer and Chief Financial Office are providing technical expertise, oversight, and financial management guidance to PERS. The Department of Administrative Services is also providing technical expertise related to procurement, human resources, and facilities management. Independent Quality Assurance has been provided as additional oversight.

PERS has initiated a modernization program for the agency. The proposed scope of PERS modernization is generally defined by PERS as focusing solely on an expansive effort to only modernize the agency's existing ORION System, as well as add new applications, functionality, and capabilities via a new cloud-based architecture platform. This effort would also include non-information technology business process engineering (e.g., organizational change management), and is also expected to require changes to statute. The current full scope of PERS modernization could include far more than just the modernization of the ORION System and its supporting business processes.

The ORION-focused modernization effort, as proposed by PERS, and documented in their completed vendor-supplied "capabilities assessment," would be a program of 19 projects focusing on the ORION applications system and supporting business processes. The assessment and go-forward plan was prepared by a vendor who completed only an ORION-focused capabilities assessment. This high-level, non-integrated study called for modernized technology and business processes to be developed and implemented over an eight-year period (or four biennia). This ORION-focused modernization effort would include a six-year development and implementation effort, followed by two years of "stabilization." The period of "stabilization" would include costs associated with operating the newly implemented modernized ORION related system, including "re-design," "enhancements," and "improvements," to the ORION System and business processes. The assessment did not take into account the current state or desired future state of the remaining 5-6 areas of architectural domains that may also need modernization in the coming years. It is also worth noting that one of 19 contemplated modernization projects, the insourcing of the Individual Account Program, was a failed agency project and officially terminated in July 2018 with the rescinding of all DAS-EIS stage gate approvals. The ORION-related capabilities assessment and vendor-supplied deliverables that PERS procured within the past year have not been reviewed by an independent quality assurance vendor.

The initial PERS proposal for modernizing just the ORION System has an initial cost estimate of $150.4 million, which includes $128.1 million for implementation and $22.3 million for five years of post-implementation operating costs. These estimates are expected to materially change as the program and projects are more fully developed and understood. No estimate was provided for ongoing operation and maintenance costs. In addition, PERS has not addressed the potential impact that modernizing deficiencies in other architectural domains (e.g., business, infrastructure, hardware, software, network, data, security, desktop, etc.) may have on this initially proposed ORION-focused modernization effort.

Currently, PERS has not identified any mission-critical systems or applications that are in urgent (i.e., highly likely to fail with significant impacts) need of upgrade or replacement. In addition, no formal risk assessment has been conducted by the agency on its full range of business and technology architectural assets.

Prior funding for PERS Modernization included $800,000 Other Funds approved by the 2021 Legislature for the origination or planning phase, and $3.8 million Other Funds and six limited duration positions (2.75 FTE) by the June 2022 Emergency Board (Item #72) for pre-modernization planning. The 2023-25 budget for the Modernization program totals $9.6 million in one-time Other Funds and includes:

- $3.4 million for program staff
- $1.3 million for data and analytics
- $1.3 million for Client Relationship Management
- $1.1 million for development and operations
- $950,000 for independent quality management services
- $950,000 for architecture
- $400,000 for a hybrid integration platform
- $210,000 for telephony

A modernization effort of the scale, scope, complexity, cost, and risk, proposed by PERS, has a highly elevated risk profile. An interruption to the payment of benefits would have a direct economic impact on retirees and the state's economy. To minimize such risks, a PERS modernization effort should be undertaken only after extensive pre-planning and modernization planning efforts, including active stakeholder participation, and the services of an independent quality assurance vendor. Such planning efforts are expected to take several years to complete and must be done prior to beginning any targeted modernization effort, such as the proposed modernization of the ORION System and related business processes. The PERS modernization program is viewed as being far more extensive of an initiative than the agency's implementation of SB 1049 and the agency's completion of the Production Data Center and Backup Data Center projects are deemed critical preconditions to any modernization effort.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Core Retirement System totals $29.7 million Other Funds, which is all one-time funding, and includes 36 positions (34.41 FTE). The adopted budget includes the following major budgetary investments or changes:

- $20.1 million Other Funds and 20 limited duration positions (20.00 FTE) to complete the implementation of reforms directed by SB 1049 (2019).
- $9.6 million Other Funds and 16 limited duration positions (14.41 FTE) to continue a modernization program.

OFFICE OF THE PUBLIC RECORDS ADVOCATE

Analyst: To

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	543,061	716,805	726,435	909,059
Total Funds	**$543,061**	**$716,805**	**$726,435**	**$909,059**
Positions	2	2	2	2
FTE	2.00	2.00	2.00	2.00

The 2019-21 actual and 2021-23 legislatively approved budgets for the Office of the Public Records Advocate were included as part of the Department of Administrative Services (DAS) budget.

Overview

The mission of the Office of the Public Records Advocate (OPRA) is to promote government transparency by providing, upon request, dispute resolution services to public records requesters and public bodies. Through an online web portal, members of the public and public employees can directly request assistance with public records requests or appeals. The agency is also statutorily required to educate and train public employees and members of the public on the requirements of, and best practices under, Oregon public records law. The agency is staffed by the Public Records Advocate and a deputy position (2.00 FTE). Since the Office began its operations on April 25, 2018, it has successfully completed more than 1,000 individual requests for assistance about public records disputes, and trained thousands of public employees, as well as members of the media and public, in groups ranging from 6 to 200 individuals. OPRA also supports the Public Records Advisory Council (PRAC). The Council consists of bipartisan public records experts representing state and local governments, the media, the public, and public sector workforce. The Council is charged with examining, vetting, and proposing reforms to law, policy, and practice to enhance fairness, efficiency, and transparency for both requester and custodians of public records. The Public Records Advocate is appointed by the Council.

Revenue Sources and Relationships

The Office of the Public Records Advocate is funded entirely with Other Funds assessments to state agencies. State agency assessment revenue has a General Fund component since some agencies use General Fund to pay the assessment.

Budget Environment

SB 106 (2017) created the role of the Public Records Advocate within the Department of Administrative Services (DAS). The measure appropriated $633,187 General Fund to DAS in 2017-19 to be expended for the Office and support the Public Records Advisory Council. For the 2019-21 and 2021-23 biennia, the expenses for the Office were covered by state agency assessments collected by DAS. SB 500 (2021) established the Office of the Public Records Advocate as an independent agency within the executive branch, separate and distinct from any other state agency. SB 510 (2023) codifies the funding of the agency with a statewide assessment. The agency will work with DAS and the Legislative Fiscal Office to establish the rate for each budget cycle. The 2023-25 biennium is the first time the Office submitted a budget request as an independent agency.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Office of the Public Records Advocate totals $909,059 Other Funds and includes two positions (2.00 FTE). The budget is an increase of $192,254, or 26.8%, from the 2021-23 legislatively approved budget. The increase reflects the expenditure limitation necessary to provide the newly independent agency with sufficient operating funds.

RACING COMMISSION

Analyst: Ruef

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	5,864,493	7,523,592	8,014,285	7,313,421
Total Funds	**$5,864,493**	**$7,523,592**	**$8,014,285**	**$7,313,421**
Positions	14	15	15	15
FTE	9.90	10.64	10.64	10.64

Overview

The Oregon Racing Commission (ORC) regulates all aspects of the pari-mutuel horseracing industry in Oregon. Pari-mutual is the term for a system of cooperative betting in which the winning returns are determined by a common pool of the total amount wagered. The five-member Commission is appointed by the Governor and charged with setting policy, approving race meet licenses and dates, and acting in a quasi-judicial capacity for appeals, referrals from stewards' hearing orders, and other matters involving alleged violations of racing statutes and rules.

The Commission oversees horseracing at five county fair race sites: Union, Grants Pass, Prineville, Tillamook, and Burns. The Commission also regulates off-site simulcast races and multi-Jurisdictional simulcasting Advanced Deposit Wagering companies (ADWs), which are internet-based wagering companies. Regulatory activities include licensing, inspections, and investigations of irregularities, with the goal of maintaining the integrity of the sport, ensuring safety for the participants, animals, and the public, and promoting horse racing in Oregon.

Revenue Sources and Relationships

The Oregon Racing Commission is funded exclusively with Other Funds derived from the agency's share of revenue from live horseracing, simulcast wagering, and off-track betting sites; participant license fees; business licenses from companies that process pari-mutuel wagers; fines; unclaimed winnings; and historic racing wagers. The Commission receives 1% of bets made at live Oregon race meets and on simulcast events.

Racing Development funds support live racing at county fairs in the form of purses and other expenses or activities that benefit the Oregon horse racing industry. These dollars are generated from a $200 daily licensing fee and a tax on the gross wagering receipts of the eight ADWs currently licensed in Oregon. The tax is calculated as a percentage of gross wagering receipts according to one of two formulas ADWs elect to use, as set out in administrative rule. These payments are capped in administrative rule and increase by 2.5% each year unless the Commission changes the limit before the fiscal year begins. Payments for fiscal year 2023-24 are capped at $797,647 and $817,588 for 2024-25. ADW revenue is divided between agency operations and racing development (75%) and the state's General Fund (25%). After paying for agency operations, the remaining portion of the Commission's 75% allocation is distributed to summer race meet organizers and associations to pay for race meet expenses such as purse and purse incentives, photo finish, and marketing and advertising. The projected 25% allocation to the General Fund for 2023-25 is $1.6 million.

Oregon faces competition from other states (primarily North Dakota) to attract Hub businesses and must provide a consistent regulatory structure as well as a predictable tax environment for these businesses to remain in the state. During the 2021-23 biennium, ORC lost two ADW licensees (ELS and US Offtrack) due to Oregon restrictions in mobile platform and greyhound race betting, resulting in an estimated $175,585 loss in revenue per biennium. This brings the number of ADW licensees from ten in 2021-23 to eight for the beginning of the 2023-25 biennium. A budget note was approved for the ORC to report to the Legislature on the financial impact of these licensees.

Budget Environment

The Commission operates within a budget environment that primarily relies on revenue sources such as licensing fees, taxes on pari-mutuel wagering, fees from racetracks, and a share of the betting handle. One of the most significant challenges confronting ORC is the declining revenue from its traditional sources. In recent years, the horse racing industry has experienced a waning interest and drop in attendance, resulting in a notable decrease in revenue derived from on-site wagering and ticket sales. Furthermore, the Commission faced the loss of two out of its ten ADW licensees, which constitute its primary revenue source. This reduction in ADWs was primarily attributed to Oregon's restrictions on mobile platforms and greyhound race betting. Collectively, these factors present a substantial and pressing financial challenge for the commission.

Competition for funding is another concern. Racing commissions often compete with other forms of gambling, including casinos, lotteries, and online betting platforms, for a share of the gambling market. This competition can impact the commission's ability to secure funding for its operations and programs.

In addition to revenue challenges, the ORC must address several financial concerns. These include ensuring the economic sustainability of the racing industry, maintaining racetrack facilities to meet safety standards, enforcing and updating regulations, conducting drug testing, and promoting racing events to attract new audiences and bettors. These activities can strain the commission's budget and require careful financial management.

Adapting to legislative and regulatory changes can also impact the ORC's budget, as they may need to allocate resources to comply with new laws and regulations related to the racing industry. Equitable distribution of revenue among various stakeholders, including purses, breeders, and the commission itself, is also a complex financial issue.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Oregon Racing Commission totals $7.3 million Other Funds and includes 15 positions (10.64 FTE). The budget is a 2.9% decrease from the 2021-23 legislatively approved budget. This decrease is attributable to two factors: a decrease of $600,000 in special payments resulting from insufficient revenue, and a reduction of $100,864 in the facility rental budget due to the agency's transition to a fully remote work setting. The budget leaves the Oregon Racing Commission with an estimated ending balance of $1.3 million, which is equivalent to approximately four months of operations, including special payments.

DEPARTMENT OF REVENUE

Analyst: Wilson

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	194,787,706	250,473,843	236,057,192	232,226,266
Other Funds	121,228,801	304,832,828	160,836,418	181,157,838
Other Funds (NL)	2,255,000	--	--	--
Total Funds	**$318,271,507**	**$555,306,671**	**$396,893,610**	**$413,384,104**
Positions	1,082	1,134	1,109	1,149
FTE	1,007.33	1,064.42	1,050.78	1,078.61

Overview

The Department of Revenue (DOR) is the tax administration agency for state government. The agency is responsible for administering approximately 65 tax and other revenue programs, including personal income and corporate excise taxes, a corporate activities tax, state marijuana tax, and various other taxes and fees. DOR provides oversight of local property tax administration by counties, values many industrial and other large-scale properties, collected selected revenues, and administers property tax relief programs. The agency also provides debt collection services for state agencies and local governments. DOR is overseen by a director who is a gubernatorial appointee subject to Senate confirmation.

Revenue Sources and Relationships

DOR is funded with a combination of General Fund and Other Funds. DOR's Other Funds revenue is derived from three primary sources: (1) administrative prorate charges to various Other Fund taxes, fees, assessments, and collection activities; (2) direct charges to program revenues, such as the Corporate Activity Tax, collections, and the marijuana tax; and (3) revenue from the recovery of agency costs when administering local government taxes. In addition to revenues supporting administrative work, the agency retains, by statute, 10% of County Assessment Function Funding Assistance account revenue. The remaining 90% is distributed to counties. Also, a portion of each recording fee ($1) is dedicated to the development and support of a statewide digital base map to improve the administration of the property tax system. Other Funds revenue is also received from the payment of mapping contracts.

DOR collects and distributes taxes and fees on behalf of the state, other state agencies, and local governments. Based on the June 2023 state revenue forecast, DOR is estimated to collect $21.1 billion in personal income taxes, $2.8 billion in Corporate Activity Tax, and $2.2 billion in corporate income taxes in the 2023-25 biennium. DOR is responsible for collecting a variety of other taxes, including other employee-employer taxes, cigarette and other tobacco taxes, marijuana tax, severance taxes, amusement taxes, privilege taxes, inheritance taxes, business license and fees, and fines and forfeitures. DOR transfers this revenue to the General Fund, and other state and local governments. DOR also has the statutory responsibility for the Criminal Fines Account (CFA) that is funded from fines that are sent to the agency for distribution.

Budget Environment

DOR relies on a voluntary tax compliance model. While 98% of tax compliance is done with voluntarily submission of owed taxed through income tax withholding, quarterly estimated tax payments, and payments submitted with tax returns, DOR expends much of its efforts on the remaining 2% relying on auditing, collection, and other enforcement efforts for receiving the tax revenue. A general cyclical or seasonal nature occurs for the agency's operations centered on income and property tax filing deadlines. Most agency functions are centralized in Salem, but the agency operates five regional offices and has a remote call center in Fossil.

A 2019 budget note instructed DOR to begin development of a new methodology for allocating central operational and other costs accurately across the various revenue streams the agency administers. For some of the revenue streams, General Fund resources were used where it would be more appropriate to use Other Funds sources to cover costs. The 2023-25 DOR budget represents the start of implementing this new methodology which will continue in future biennia. For 2023-25, two major revenue streams – Corporate Activity Tax and marijuana tax – are adjusted to reflect the new methodology. As a result, savings of $5.4 million General Fund are realized in the overall DOR budget. A budget note was included during the 2023 session instructing DOR to continue its cost allocation project and consider hiring an outside consultant to assist the agency in completing the project.

Legislatively Adopted Budget

The 2023-25 budget for the Department of Revenue is $413.4 million total funds, which is a $141.9 million, or 25.6%, decrease from the 2021-23 legislatively approved budget. The budget includes $232.2 million General Fund and $181.2 million Other Funds, representing a General Fund decrease of $18.2 million, or 7.3%, and an Other Funds decrease of $123.7 million, or 40.6%. The 2023-25 budget includes 1,149 positions (1,078.61 FTE). The budgetary decrease from 2021-23 is primarily due to a one-time increase of $147 million Other Funds approved in 2021-23 through the adoption of HB 4157 (2022). This bill directed DOR to establish a program to provide one-time $600 payments by July 31, 2022 to qualified households with members who received an Earned Income Tax Credit during tax year 2020 and worked during the first year of the COVID-19 public health emergency. Funding to support these payments came from American Rescue Plan Act Coronavirus State Fiscal Recovery Funds received by the Department of Administrative Services and transferred to DOR which spent the revenue as Other Funds. The budget also phases out a one-time $23.2 million General Fund increase in 2021-23 for grants to counties for reimbursement of lost tax revenue related to the 2020 wildfires.

Other significant changes in the 2023-25 legislatively adopted budget include:

- $1.8 million General Fund and $359,090 Other Funds to continue the seven positions (7.00 FTE) approved by the Emergency Board in June 2022 for the Internal Controls Office.
- $1.7 million General Fund and $34,870 Other Funds to continue 16 positions (8.19 FTE) to administer the Agricultural Worker Overtime Tax Credit approved during the 2022 session.
- $1.2 million General Fund and $186,696 Other Funds to administer the new Child Care Tax Credit.
- $5.4 million in General Fund savings resulting from the first phase of implementing a new cost allocation methodology.
- $3 million in General Fund savings from assuming increased vacancy savings and reductions in services and supplies and capital outlay.
- $14 million Other Funds (Article XI-Q bond proceeds) for the second phase of the Electronic Valuation Information System (ELVIS). Also approved was $2.5 million General Fund for debt service due on these bonds in 2023-25.
- $2.3 million total funds ($1.9 General Fund and $298,120 Other Funds) decrease for statewide changes in Department of Administrative Services assessments and charges, Attorney General rates, debt service adjustments, and Oregon Government Ethics Commission and Public Records Advocates assessments.

Administration Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	25,707,555	33,395,252	36,677,751	37,061,127
Other Funds	6,572,513	8,516,747	9,795,807	12,603,924
Total Funds	**$32,280,068**	**$41,911,999**	**$46,473,558**	**$49,665,051**
Positions	70	79	66	85
FTE	70.00	74.54	66.00	83.39

Program Description

The Administration Division provides overall Department leadership and supports the rest of DOR by providing services in the following areas: the Director's Office, Finance (including the Accounting, Procurement, and Budget sections), Communications, Facilities, the Disclosure Office, Human Resources, Internal Audit, Internal Controls Office, Taxpayer Advocate Office, and Research.

Revenue Sources and Relationships

Most of the Division's budget is supported by General Fund. Other Funds revenue is derived from administrative charges to various taxes, fees, assessments, and collections.

Budget Environment

During the 2017-19 biennium, a series of budget notes directed the undertaking of a comprehensive external audit; a state accounting and budget review; an external Outcome-Based Management assessment; and a review of personnel practices. The findings and reports found deficiencies in areas of financial and budget management, human resource management, and performance management. DOR continues to make progress addressing the findings and outcomes from these various external reviews.

During the 2021 session, the Legislature included a budget note for the agency to report by January 2023 on modernizing and enhancing its customer call centers. The Legislature also passed HB 3373, which created the Taxpayer Advocate Office. The Taxpayer Advocate, which is subject to all confidentiality and disclosure provisions applicable to the department, must help taxpayers understand the policies and procedures available to them when resolving problems related to tax programs or debt collection programs administered by DOR.

The agency reported early in the 2023 session on a consultant's (Earnst and Young) work on modernizing and enhancing its nine customer call centers. The study made recommendations relating to organizational alignment, technology, data driven decision making, and changes to staffing distribution. After reviewing the recommendations, the agency presented a two-phase implementation plan. Phase 1 would formally establish a "Center of Excellence" for the project for starting the work on coordination of call centers, including development of agency-wide policies, training for call center staff, and standardized metrics, and identifying the investments needed for the second phase in 2025-27. The second phase would focus on tools and technology improvements which is estimated to be between $3.2 million and $6.1 million total funds. The 2023-25 budget for this division includes $537,084 total funds to implement the first phase of the plan.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Administration Division is $49.7 million total funds and includes 85 positions (83.39 FTE). The budget is a $7.8 million, or 18.5%, increase from the 2021-23 legislatively approved budget. The budget includes the following changes:

- Increase of $1.4 million General Fund, $359,090 Other Funds and seven positions (7.00 FTE) to continue the Internal Controls Office authorized by the Emergency Board in June 2022. This office is responsible for issues around cybersecurity, compliance, risk, and business continuity to improve the security of taxpayer financial and personal information maintained by the agency.

- Increase of $591,425 General Fund, $198,299 Other Funds and four positions (3.14 FTE) to increase engagement of underserved communities and create a more diverse agency workforce. One position will actively provide outreach and information to the underserved communities while the other three will address workforce issues, including recruitment, training, succession planning, and data analysis from the Workday information system.
- Increase of $402,222 General Fund, $134,862 Other Funds and two positions (2.00 FTE) for the formal establishment of the Center of Excellence for the call centers described above.
- Increase of $46,224 General Fund, $10,392 Other Funds, and one position (0.25 FTE) for the division's responsibilities under SB 1 (2023), which requires the agency to develop a process for collecting race and ethnicity data confidentially and voluntarily from taxpayers.
- Decrease of $990,834 General Fund and an increase of $2.3 million Other Funds for the implementation of the first phase of the cost allocation methodology. This includes the transfer of five positions from the Corporate Division and Marijuana Program. These positions perform activities related to other positions in the Administration Division and their funding will be more accurately allocated across revenue streams to reflect the work they perform.
- Decrease of $486,082 General Fund to reflect the Administration Division's share of the agency-wide $3 million savings in vacancy savings assumptions, services and supplies reductions, and capital outlay reductions.

Property Tax Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	15,250,232	42,980,392	21,156,490	20,868,164
Other Funds	41,367,630	45,736,208	47,731,895	47,727,781
Total Funds	**$56,617,862**	**$88,716,600**	**$68,888,385**	**$68,595,945**
Positions	81	80	80	80
FTE	80.13	79.25	79.25	79.25

Program Description
The Property Tax Division (PTD) monitors the state's property tax system to ensure that Oregon's 36 counties comply with all property tax laws and rules. The Division develops procedures, trains and advises county staff, and conducts reviews of county actions. Statutorily, DOR is responsible for conducting appraisals on all industrial manufacturing plants valued at $1 million or more; appraising all utility, transmission, solar and wind farms, communication, and transportation properties; and administering several timber tax programs. The Division also handles certain property tax appeals primarily through the state's tax court.

The Division manages the Oregon Map Project (ORMAP) and the Cadastral Information Systems program. ORMAP is responsible for development of a statewide property tax lot base map that is digital, continually maintained, and publicly accessible. The Cadastral Information Systems program provides mapping services to several mostly small, eastside counties and performs statutorily required work, including boundary change approvals. PTD also manages the Oregon Senior and Disabled Citizen Property Tax Deferral Program.

Revenue Sources and Relationships
PTD is supported by General Fund and Other Funds. Since 1989, the Division has received Other Funds from the County Assessment Function Funding Assistance account (CAFFA). CAFFA is supported by document recording fees ($9.00) and a portion of the interest from delinquent property taxes. These revenue streams originate with counties and are transferred to the state. Each biennium, 90% of CAFFA revenue is distributed to counties to pay

for essential assessment and taxation functions. These include valuation, administration, appeals, tax collection and distribution, mapping, and information processing. The remaining 10% pays for a portion of PTD's industrial and utility property appraisal responsibilities and the administration of the CAFFA program.

Funding for ORMAP comes from a $1 addition to document recording fees. The number of counties using DOR for mapping services has decreased over the past several years from 14 to nine. The number of dedicated program staff has likewise declined from 20 in 2003 to approximately seven for the 2023-25 biennium. The Division also receives revenue for the administration of smaller tax programs.

Budget Environment

State-appraised industrial properties represent approximately 831 sites with 4,750 accounts. Over 530 centrally assessed companies are in the state. The two property types have a combined property value of over $85 billion, which equates to nearly $400 million in property tax assessments for Oregon's 36 counties.

The Department of Revenue has completed phase 1 of the Electronic Valuation Information System (ELVIS) project, which replaces an over 20-year-old information system for the division's central assessment and valuation programs. Phase 1 addressed DOR's central assessment program for communications, transportation, utility, and other industries and was completed under-cost during 2021-23. Phase 2 focuses on the appraisal of large industrial properties over $1 million of machinery and equipment. The estimated cost of phase 2 is $14 million, which is funded in the 2023-25 budget and scheduled for completion in the biennium.

An ongoing concern about DOR's budget relates to CAFFA. If a county cannot commit adequate resources to its assessment and taxation program, then that county may lose its share of CAFFA grant funding. ORS 308.062 requires DOR to take responsibility for a county's assessment and taxation function if a county fails to perform its statutory duties. Legislation passed during the 2013 session provided additional remedies if a county cannot meet its statutory duties.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Property Tax Division is $68.6 million total funds and includes 80 positions (79.25 FTE). The budget is a $20.1 million, or 22.7%, decrease from the 2021-23 legislatively approved budget. The major factor in the decrease is the phase-out of a $23.2 million one-time General Fund appropriation approved in 2021-23 for DOR to make grants to eight counties for the reimbursement of lost tax revenue related to the 2020 wildfires.

Other changes in the 2023-25 budget include:

- An increase of $100,000 General Fund for training for phase 2 of the ELVIS project. The training activities are separately appropriated since they are not eligible uses of the proceeds from Article XI-Q bonds that will be issued for other project costs.
- A reduction of $253,790 General Funds to reflect the Property Tax Division's share of agency-wide savings of $3 million for vacancy assumptions, services and supplies reductions, and capital outlay reductions.

Personal Tax and Compliance Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	73,891,374	61,552,575	62,885,265	63,571,867
Other Funds	1,796,861	148,337,480	1,454,910	1,511,797
Total Funds	**$75,688,235**	**$209,890,055**	**$64,340,175**	**$65,083,664**
Positions	390	263	260	286
FTE	389.59	253.23	251.68	266.70

Program Description

The Personal Tax and Compliance Division (PTAC) administers the personal income tax and provides enforcement for the TriMet and Lane Transit District Self-Employment taxes. PTAC's mission is to improve taxpayer compliance with the programs it administers through taxpayer assistance, education, and enforcement activities. To aid voluntary compliance, PTAC provides taxpayer education and assistance programs. It also employs enforcement activities for those who do not voluntarily comply with Oregon's personal income tax laws. Enforcement actions affect individuals who fail to file required returns, understate income, or overstate expenses or deductions.

Revenue Sources and Relationships

This Division is supported primarily by General Fund. Personal income tax revenue is projected to total approximately $21.1 billion during the 2023-25 biennium based on the May 2023 state revenue forecast. PTAC Other Funds expenditures are primarily for the administration of Tri-Met and Lane County Transit Self-Employment Tax programs.

Budget Environment

Voluntary payments of income tax withholdings, quarterly estimated tax payments, and payments submitted with tax returns account for approximately 98% of personal income revenues. The remaining 2% are from audit and collection activities undertaken by the department. An estimated 2.2 million personal income tax returns were processed in 2022 and approximately 93% of returns were filed electronically.

As more taxpayer data becomes available from federal and other sources, the Department has increased its efforts to pursue non-filers, and those that may have under-reported income, un-reported income, or over-reported deductions. Personal income tax refund fraud attempts are increasing. DOR has implemented new tools to reduce fraudulent return processing such as third-party data analytics, an identity theft quiz, and real time matching of state income tax withholding claimed on personal income tax returns against that reported by employers. In 2022, $466 million worth of fraud was prevented.

Two new significant tax credits were established in the past two sessions. HB 4002 (2022), established a refundable tax credit for employers paying overtime for agricultural worker. The tax credit is subject to maximum hours and overtime wage requirements. PTAC's responsibilities in administering this credit includes processing a credit application and auditing returns claiming the credit. The second new credit is the Child Tax Credit authorized in HB 3235 (2023). This is a refundable $1,000 credit for eligible filers with dependents under the age of six years old. Staffing for both credits is included in this budget with additional resources for changes to the information systems relating to HB 3235 included in the Information Technology Services Division's budget.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Personal Tax and Compliance Division totals $65.1 million and includes 286 positions (266.70 FTE). The budget is a $144.8 million, or 69%, decrease from the 2021-23 legislatively approved budget. The decrease is almost entirely due to the phase-out of the one-time $600 payments made to households with members who received an Earned Income Tax Credit during tax year 2020 and worked during the first year of the COVID-19 public health emergency.

Other major changes in the budget include:

- An increase of $1.7 million General Fund and $34,870 Other Funds to continue 16 positions (8.19 FTE) for certifying taxpayer qualifications for the refundable tax credits for agricultural worker overtime authorized in HB 4002 (2022).

- An increase of $991,057 General Fund, $20,225 Other Funds, and eight positions (5.66 FTE) for implementing and administering the new refundable Child Tax Credit authorized by HB 3235 (2023). This $1,000 tax credit is for income tax filers with a dependent under the age of six years old. Staffing is for returns. One of the positions is for maintaining the Division's supervisor to employee ratio.

outreach and education, responding to taxpayer questions, and validating credit compliance on tax returns. One of the positions is for maintaining the Division's supervisor to employee ratio.

- A reduction of $2.1 million General Fund for PTAC's share of the agency-wide $3 million in savings related to vacancy assumptions, services and supplies reductions, and capital outlay reductions. The Division's share is proportionately larger than others given the higher number of vacant positions and turnover rate.

Business Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	22,176,845	22,727,156	23,787,413	22,784,668
Other Funds	10,464,113	14,313,928	15,077,180	15,032,653
Total Funds	**$32,640,958**	**$37,041,084**	**$38,864,593**	**$37,817,321**
Positions	155	138	138	138
FTE	152.69	136.00	137.00	137.00

Program Description

The Business Division administers programs responsible for corporate income and excise taxes, employer income tax withholdings, fiduciary taxes, estate transfer, cigarette and other tobacco taxes, vehicle excise and use taxes, and other tax, fee and license special programs. Although administered by the Business Division, the costs associated with administering marijuana and corporate activity taxes are budgeted in the Marijuana Program and Corporate Division, respectively. Audit activity for many of the business programs are performed by staff located in Salem and in field offices around the state.

The Business Division also shares responsibility for administering the Combined Payroll Tax Report with the Employment Department, which processes most returns and administers the state's unemployment tax and new Paid Leave Oregon program, and the Department of Consumer and Business Services, which administers the workers' benefit fund assessment. The Division administers four tax programs in the report and collects payments for all seven programs, which are then distributed appropriately.

Oregon is a compact member of the Multistate Tax Commission (MTC), which has 15 member states, plus the District of Columbia and 34 sovereignty and associate member states. The Commission works on behalf of states to equitably administer tax laws that apply to multistate enterprises. It also promotes uniformity or compatibility in tax systems, taxpayer convenience, and avoiding duplicate taxation. Revenues received from MTC enforcement activities are deposited into an MTC revolving account. Historically, account balances of more than $150,000 are transferred to the General Fund on June 30 of each year. This amount was increased to $250,00 by the Legislature in 2022.

Revenue Sources and Relationships

The Division's budget is supported by General Fund and Other Funds. Other Funds revenue is derived from administrative charges to various taxes, fees, and assessments. DOR also earns revenue from the recovery of agency cost when administering local government taxes. The MTC fees are funded by payments received from audits performed by the MTC.

Budget Environment

Each year the program processes approximately 110,000 corporate income tax returns, 3,000 estate returns, 26,000 corporate activity tax returns, and 37,000 fiduciary returns. Cigarette taxes are collected through the purchase of tax stamps by licensed cigarette distributors, while distributors of other tobacco products also file 1,300 returns annually.

The adoption of SB 587 (2021) increased the Business Division's responsibilities by prohibiting the retail sale of tobacco products or inhalant delivery systems in Oregon unless the retailer is licensed by the Department or holds a license with a city or local public health authority. The bill allows DOR to revoke, suspend, or refuse to issue or renew a license. DOR states they have over 2,600 tobacco retail licensees increasing 1.5% so far over the initial amount. The measure also authorizes DOR to establish fees to cover costs, impose civil penalties, and share licensing information with the Department of Justice, Oregon Health Authority, and local public health authorities. The regulatory provisions of the bill became effective January 1, 2022. Other recent increases to the Division's responsibilities include a program to register kratom manufacturers, a tax on the sale of psilocybin products, and a new fee program for loaded tank railcars.

Legislatively Adopted Budget

The Business Division's 2023-25 legislatively adopted totals $37.8 million and includes 138 positions (137.00 FTE). The budget is $776,237, or 2.1%, higher than the Division's 2021-23 legislatively approved budget. The only change from the current service level budget is a reduction of $885,111 General Fund representing the Division' share of the agency-wide $3 million in savings related to vacancy assumptions, services and supplies reductions, and capital outlay reductions.

Collection Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	33,429,723	35,616,692	34,231,629
Other Funds	12,378,505	17,962,779	18,701,173	18,693,668
Total Funds	**$12,378,505**	**$51,392,502**	**$54,317,865**	**$52,925,297**
Positions	73	248	249	249
FTE	72.51	247.56	247.39	247.39

Program Description

The Collection Division is responsible for DOR's collections functions, including the Other Agency Accounts (OAA) section, which is the centralized debt collection agency for Oregon. OAA currently manages debts and associated collections for 185 government agencies. Until recently, the department's collections functions were decentralized. At the direction of the Legislature, DOR submitted a feasibility study in 2019 that evaluated five potential organizational collections structures, ranging from the current structure to completely outsourcing collection functions to private firms. The report concluded that the centralization of all agency collection functions into a single division best aligned with its strategic priorities.

During the development of the 2019-21 budget, DOR formally established a Collection Division framework by transferring the Business Division's OAA section and staffing into a new programmatic or division structure. The 2021-23 legislatively adopted budget consolidated all collection functions into the Collections Division. The centralization of debt collection activities resulted in the consolidation of debtor accounts, increased use of data analytics, a more consistent application of specialized collection practices, standardization of debtor customer service, and efficiencies due to economies of scale.

Revenue Sources and Relationships

The Collection Division's Other Agency Accounts unit recovers its costs through fees charged against the debt it collects. Direct revenues are received from collection costs recovered through fees charged to the client agencies.

Budget Environment

For 2022, the debt collection rate of tax debt collected at DOR was 17.2%, which is in line with tax debt collected over the past 10 years. The collection rate of the OAA section was 5% for 2022. This has decreased from 8.9% in

2020 because some client agencies did not assign accounts for collection to DOR because of various forms of financial relief those agencies offered during the pandemic.

Two of the most powerful collection tools available to DOR are its ability to intercept federal and state income tax refunds to pay down various forms of debt owed the state and the non-judicial garnishment authority given to the Department by the Legislature. The private collection rate was 1.5% for 2022 which is in line with the collections rate for the past 10 years. Private collections have less collection tools than DOR and have become more challenging to collect.

The Department reports that reduced account volumes were being sent to Other Agency Accounts by state agencies due to impacts of COVID-19 pandemic on their own processes, including establishing fewer new accounts, following state or federal guidance, and providing separate relief efforts. The largest client, the Judicial Department, provided COVID-19 relief by not sending new accounts to DOR during the public health emergency. When the health emergency ended, the Judicial Department started to send accounts for collection (400,000 accounts since the emergency ended).

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Collection Division totals $52.9 million and includes 249 positions (247.39 FTE). The budget is a $1.5 million, or 3%, increase from the 2021-25 legislatively approved budget. The only change from the current service level is a reduction of $1.3 million representing the division' share of the agency-wide $3 million in savings from vacancy assumptions, services and supplies reductions, and capital outlay reductions.

Corporate Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	9,386,038	16,638,267	19,156,972	16,377,084
Total Funds	**$9,386,038**	**$16,638,267**	**$19,156,972**	**$16,377,084**
Positions	66	67	67	50
FTE	37.83	57.96	60.98	50.00

Program Description

The Corporate Division was established to administer the Corporate Activity Tax (CAT) authorized by HB 3427 (2019) as a tax on the commercial activities of Oregon businesses to help support education investments. The tax is $250 plus 0.57% on taxable commercial activities above $1 million, including a subtraction equal to 35% of the greater of input costs or labor costs. The net revenues from the CAT are transferred to the Fund for Student Success administered by the Department of Education. Funds are distributed to school districts, early learning providers, and other entities for K-12 and early learning investments.

Revenue Sources and Relationships

CAT revenue collections fund the Corporate Division's expenses and other related agency costs, with remaining amounts transferred to the Fund for Student Success to support Oregon's K-12 education system.

Budget Environment

DOR is implementing the CAT program primarily on the agency's model of voluntary compliance, with a focus on taxpayer education, outreach, and customer service. DOR began filing enforcement and auditing activities during 2021. The necessary resources were provided in the 2021-23 legislatively adopted budget for full program implementation. The CAT tax is estimated to provide approximately $2.5 billion to the Fund for Student Success in the 2021-23 biennium and increase to $2.8 billion for 2023-25 based on the May 2023 revenue forecast.

Legislatively Adopted Budget

The Corporate Division's 2023-25 legislatively adopted budget totals $16.4 million Other Funds and includes 50 positions (50.00 FTE). The budget is a $261,183, or 1.6%, decrease from the 2021-23 legislatively approved budget. This reduction is primarily due to the implementation of the first phase of the cost allocation methodology. A part of this action is the transfer of 17 positions (10.98 FTE) from the Corporate Division to the Administration Division and Information Systems Division. The positions share responsibilities similar to other positions in those divisions and can be more effectively utilized by spreading their work across the agency's programs. These positions have been funded entirely with CAT revenues but beginning in 2023-25 will be more accurately cost allocated across all revenue streams. Fourteen positions (7.98 FTE) are transferred to the Information Technology Services Division including Information Systems Specialists, data entry staff and processing staff. Three positions (3.00 FTE) are transferred to the Administration Division including accounting, human resource, and public affairs staff.

Information Technology Services Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	40,125,340	46,270,944	49,711,484	45,609,735
Other Funds	5,418,518	7,648,020	6,623,360	13,789,389
Total Funds	**$45,543,858**	**$53,918,964**	**$56,334,844**	**$59,399,124**
Positions	223	233	225	243
FTE	181.07	190.37	184.73	197.13

Program Description

The Information Technology Services Division is DOR's centralized information technology provider. The Division includes Engineering Services, which manages DOR's network, databases, middleware, systems and servers; the Service Desk, which provides end-user support for DOR's employees; the GenTax Operations group, which supports DOR's core tax system; Application Services, which develops and supports in-house applications used to administer DOR's tax portfolio; and the Processing Center, which processes all incoming mail, returns, and payments.

Revenue Sources and Relationships

This Division is supported by General Fund and Other Funds revenue from charges to other programs for their share of the Department's information technology expenses.

Budget Environment

Since the implementation of the Core Systems Replacement project, the Division continues to decommission legacy tax applications, clean up the application portfolio, and remove obsolete computer platforms as applications are retired. The Processing Center handles more than 1.7 million paper returns and payments, annually ensuring more than $21 billion in tax payments are banked and over 500,000 paper tax returns are processed. The Processing Center Modernization Project, which was completed in 2021, moved DOR from 5% to 100% imaging of all incoming paper documents.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Information Technology Services Division totals $59.4 million and includes 243 positions (197.13 FTE). The budget is a $5.5 million, or 10.2%, increase from the 2021-23 legislatively approved budget.

Major budgetary changes include:

- Decrease of $4.4 million General Fund and $6.9 million Other Funds due to the implementation of the first phase of the new cost allocation methodology. As part of the implementation, 18 positions (11.98 FTE) transferred into the Division, including 14 positions (7.98 FTE) from the Corporate Division and four positions (4.00 FTE) from the Marijuana Program. These positions had been funded entirely with CAT or marijuana tax revenues but beginning in 2023-25 will be more accurately cost allocated across all revenue streams.
- Increase of $731, 072 General Fund and $218,372 Other Funds to provide greater Information Technology Help Desk capacity, backfill a gap in the Processing Center's services and supplies budget, and fund a reclassification of 12 Processing Center positions resulting from a union grievance. An existing position is increased by 0.42 FTE for the Help Desk's capacity increase.
- Decrease of $602,642 General Fund representing the Division' share of the agency-wide $3 million in savings from vacancy assumptions, services and supplies reductions, and capital outlay reductions.
- Increase of $368,738 General Fund and $72,364 Other Funds for changes to the agency's information systems due to passage of HB 3235 (2023), which authorizes the Child Tax Credit, and SB 1 (2023), which requires the agency to develop a process for collecting race and ethnicity data confidentially and voluntarily from taxpayers.

Marijuana Program

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	3,120,041	5,026,002	5,180,810	4,053,754
Total Funds	**$3,120,041**	**$5,026,002**	**$5,180,810**	**$4,053,754**
Positions	16	16	16	10
FTE	15.76	16.00	16.00	10.00

Program Description

The creation of DOR's Marijuana Program resulted from the passage of Ballot Measure 91 (2014) and subsequent related legislation authorizing and regulating the sale of recreational marijuana, subject to the approval of local jurisdictions. The program consists of the staff needed to administer taxes on the sale of recreational marijuana, which includes a state sales tax and local taxes for approximately 90 participating municipalities that have an agreement with DOR for the collection of local taxes on their behalf. As many marijuana businesses have been unable to use the formal banking system due to federal law, many pay their taxes in cash, which required the Department to build and staff a cash handling facility where all taxpayers who make cash payments must go. The responsibilities of the program also include communications, policy analysis, and the development of administrative rules and forms.

Revenue Sources and Relationships

DOR's expenses are funded from gross marijuana tax proceeds received by the agency with the remainder to be deposited into the Oregon Marijuana Account. There is no statutory cap on the level of revenue DOR may retain for administrative and enforcement expenses. Statute now assigns the Department of Administrative Services, Office of Economic Analysis with the responsibility of producing quarterly marijuana revenue forecasts. DOR also earns revenue from the recovery of agency costs when administering local government marijuana taxes.

Budget Environment

Questions remain about Congressional action and the federal government's enforcement of federal law related to marijuana. The ancillary impact has been to constrain recreational marijuana vendors use of the banking system, resulting in a substantially cash-driven economic model. All recreational marijuana tax cash collections occur at the agency's Salem headquarters. Taxpayers must make appointments with DOR to make cash tax payments. DOR's processing of marijuana cash receipts is accomplished in an integrated fashion with the agency's current banking, electronic funds transfer, and miscellaneous cash receipting. The volume of cash processing has resulted in security investments in the agency, including contracts with armed security, improved security cameras, and cash counting machines. At the inception of the program, the Legislature invested over $1.2 million in marijuana tax revenues for a DOR headquarters building upgrade for a cash processing center.

Beginning in March 2023, DOR began accepting Automatic Clearing House (ACH) payments. This option has begun slowly and at roughly four months after beginning, about 29% of payments are ACH payments, 31% continue as cash payments, and 39% are paid by checks and money orders. The rate of ACH payments continues to grow. Some banks and credit unions will provide banking services to marijuana businesses, but the federal drug classification of marijuana means these accounts come with higher fees.

Marijuana vendors represent some of the largest delinquent taxpayers owing taxes to DOR.
DOR had originally anticipated a high compliance rate by marijuana retailers due to licensure requirements and other regulatory authorities of the Oregon Liquor Control Commission; therefore, no resources were added for enforcement. DOR then requested, and the Legislature in 2019 approved, tax auditors for the program.

Changes to the recreational marijuana industry have led to decreasing revenues to the state. Revenues for 2023-25 in the May 2023 revenue forecast are estimated to be $316.9 million, a 16% reduction from the amount estimated one year earlier. Concerns exist about a significant amount of product inventory that depresses retail prices, as well concerns about too many licensed dealers. The passage of Ballot Measure 110 in 2020 also significantly changed the distribution of the marijuana revenues. Most of the revenues are now directed to the Drug Treatment and Recovery Services Fund, limiting the amount that had been directed to the State School Fund, local jurisdictions, State Police, and mental health services.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Marijuana Program totals $4.1 million Other Funds and includes 10 positions (10.00 FTE). The budget represents a decrease of $972,248, or 19.3%, from the 2021-23 legislatively approved budget. This decrease is primarily due to the $1.1 million Other Funds decrease from the implementation of the first phase of the new cost allocation methodology which affects the Corporate Activity Tax (CAT) and Marijuana Tax revenue streams. As part of this implementation, six positions (6.00 FTE) are transferred from the Marijuana Program to other divisions in the agency. These positions generally have similar responsibilities as existing positions in the Information Technology Services Division and the Administration Division. One Safety Specialist position (1.00 FTE) and one Accountant position (1.0 FTE) are transferred to the Administration Division, while four Administrative Specialist positions (4.00 FTE) are transferred to the Information Technology Services Division.

Nonprofit Homes for the Elderly Program

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	3,348,966	3,492,972	3,639,677	3,639,677
Total Funds	**$3,348,966**	**$3,492,972**	**$3,639,677**	**$3,639,677**

Program Description

The Nonprofit Homes for the Elderly program reimburses counties for the cost of a property tax exemption for certain nonprofit homes for the elderly. Under the program, counties approve a property tax exemption to qualifying nonprofit corporations that provide housing to individuals aged 62 or older who are within certain income limits. Through this program, payments are also made to local governments in lieu of property taxes on certain tax-exempt housing for the elderly. The nonprofit entity passes the property tax exemption on to eligible tenants in the form of reduced rent.

Revenue Sources and Relationships
The program is supported entirely by General Fund.

Budget Environment
Program exemptions fluctuate on an annual basis due to changes in the number of nonprofits that apply and fluctuations in the amount of property tax being reimbursed. The nonprofit homes receive the exemption regardless of whether or to what extent the counties are reimbursed for this exemption. For the 2022-23 tax year, DOR made property tax payments of $1.7 million to 13 counties for 38 eligible dwellings.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Nonprofit Homes for the Elderly program totals $3.6 million General Fund. The program is staffed with positions included in other division budgets. The budget is a $146,705, or 4.2%, increase from the 2021-23 legislatively approved budget. The only changes to the program were standard adjustments to reach the 2023-25 current service level.

Senior and Disabled Citizens Property Tax Deferral Program

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	26,709,650	35,477,664	37,001,201	36,989,678
Total Funds	**$26,709,650**	**$35,477,664**	**$37,001,201**	**$36,989,678**
Positions	8	8	8	8
FTE	7.75	7.75	7.75	7.75

Program Description
The Oregon Senior and Disabled Citizen Property Tax Deferral Program pays property taxes and special property assessments for qualified senior and disabled citizens in exchange for a lien against the property in the amount of the deferred taxes. The lien is released upon repayment of the debt when the property is sold.

Revenue Sources and Relationships
The Division's budget is supported by Other Funds from the Senior and Disabled Property Tax Deferral account. The deferred taxes and interest are due and payable when the property is disqualified. These proceeds are used to pay counties for the property taxes of homeowners that still qualify under the program.

Budget Environment
The program is designed to help low-income seniors and disabled citizens remain in their homes by allowing them to defer their property taxes until the home is sold. The Legislature initially funded the program through General Fund appropriations until sufficient Other Funds revenue from home sales became available.

Starting in 2007, the collapse of the housing market sharply reduced the inflow of revenue as home sales slowed dramatically. At the same time, the number of new applicants increased as financially stressed individuals looked for ways to cut costs. During 2009-11, the program experienced a severe cash flow problem and had to delay payments to counties in the last fiscal year of the biennium. Legislation adopted in 2011 and 2012 made structural changes to the program to keep it solvent for the long-term; however, the program still required a short-term loan of $19 million from the Common School Fund for the 2011-13 biennium. Due to legislative action and a recovering housing market, the liquidity of the program has stabilized, and DOR was able to repay the $19 million loan on time. The state paid $11.5 million in property taxes to counties for nearly 4,000 program participants in the 2022-23 tax year.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Senior and Disabled Citizens Property Tax Deferral program totals $37 million Other Funds and includes eight positions (7.75 FTE). The budget is a $1.5 million, or 4.3%, increase from the 2021-23 legislatively approved budget. Most of the increase reflects standard inflationary and personal services adjustments.

Information Systems Projects

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	400,000	--	--
Other Funds	2,000,000	3,782,613	--	14,000,000
Total Funds	**$2,000,000**	**$4,182,613**	**--**	**$14,000,000**
Positions	--	2	--	--
FTE	--	1.76	--	--

Program Description
The Information Systems Projects budget structure supports costs for the Electronic Valuation Information System (ELVIS) project. This budget supported other information technology costs and projects in prior biennia, including the Core Systems Replacement Project, which involved the move to an integrated state-wide tax, revenue collection, and management application; and (b) the Property Valuation System, a computer-assisted mass appraisal software system.

Revenue Sources and Relationships
The program is funded with Other Funds revenue available through Article XI-Q bonds.

Budget Environment
The objective of the ELVIS project is to modernize the various outdated appraisal systems and associated manual processes used by the Valuation Section of the Property Tax Division. Most of the applications used by the Valuation Section were designed over 20 years ago and previous attempts have been made to modernize the system. The initial project updating these systems had limited funding and did not move forward due to multiple concerns with project cost and scope. For the 2021-23 biennium, a new project was initiated with its first phase to address DOR's central assessment program for communications, transportation, utility, and other industries. That first phase of the ELVIS project came in $1.7 million under the original cost estimate at a cost of approximately $4.2 million. Phase 2 is directed at the appraisal of large industrial properties, specifically those with machinery and equipment valued at over $1 million. The estimated cost of phase 2 is $14 million Other Funds.

Legislatively Adopted Budget
The Information Technology Projects budget for 2023-25 totals $14 million Other Funds from the proceeds of Article XI-Q General Obligation bonds assumed to be sold during 2023-25 for phase 2 of the ELVIS project. The original funding for phase 1 of the project totaled $4.2 million, which was phased-out in the current service level budget. Four limited duration positions and one permanent position were proposed by the agency but mistakenly not included in the legislatively adopted budget. These positions are expected to be established during the 2024 session.

Debt Service

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	14,287,394	6,224,829	2,582,420	4,459,399
Other Funds	2,014,932	1,393,120	113,110	378,110
Other Funds (NL)	2,255,000	--	--	--
Total Funds	**$18,557,326**	**$7,617,949**	**$2,695,530**	**$4,837,509**

Program Description

The Debt Service budget provides the funding to make payments on principal, interest, and financing costs associated with the issuance of Article XI-Q bonds, which are tax exempt government securities. This program segregates debt service and financing costs from the agency's operating budget.

Revenue Sources and Relationships

The Department's debt service is funded with General Fund and Other Funds. Other Funds revenue is derived from administrative charges where applicable to various taxes, fees, and assessments.

Budget Environment

The base budget pays for the debt service on the Core System Replacement bonds, which will be repaid in 2023-25, and phase 1 of the bonds issued for the ELVIS project. New debt service is added in 2023-25 for phase 2 of the ELVIS project.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Debt Service budget structure totals $4.8 million, which is a $2.8 million, or 28.4%, decrease from the 2021-23 legislatively approved budget. This decrease is primarily due to the phase-out of debt service no longer required for bonds paid off prior to 2023-25. This amount of General Fund debt service was further adjusted downward by $571,500 based on revised estimates during the 2023 session. Based on the projected sale of $14 million in general obligation bonds for phase 2 of the ELVIS project, $2.5 million General Fund was added for debt service payments in 2023-25. In addition, $265,000 Other Funds was added for the estimated cost of bond issuance.

SECRETARY OF STATE

Analyst: Siebert

Agency Totals

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	14,203,166	19,768,356	16,691,665	17,975,875
Other Funds	64,756,837	79,861,879	84,581,235	89,525,312
Federal Funds	3,982,771	10,497,283	5,022,647	5,015,435
Total Funds	**$82,942,774**	**$110,127,518**	**$106,295,547**	**$112,516,622**
Positions	224	235	229	243
FTE	223.51	232.96	228.25	242.50

Overview

The Secretary of State (SOS) is one of three constitutional offices established at statehood. The Secretary is the auditor of public accounts, the chief elections officer, and the manager of the state's records, a role that includes preserving official acts of the Legislative Assembly and the Executive Branch. The Secretary of State serves with the Governor and State Treasurer on the State Land Board which manages state-owned lands.

The agency's major divisions include:

- Elections Division – Administers state and federal elections laws, provides training to county and city election officials, political party representatives, and candidates; maintains a centralized voter registration system, publishes statewide voter's pamphlets; and administers the filing and verification of initiative, referendum, and recall petitions.
- Audits Division – Carries out the Secretary's constitutional duties as auditor of public accounts to assure that public funds are properly accounted for and spent in accordance with legal requirements; the Division performs, or contracts for, financial and compliance audits and performance audits of state agencies.
- Archives Division – Stores public records and protects and provides public access to Oregon's documentary heritage; provides records management advice and assistance to state and local agencies and publishes the state's administrative rules.
- Corporation Division – Responsible for four major programs: Business Registry – the filing of business names, Uniform Commercial Code – the filing of secured transactions, Notary Public – commissioning and regulating notaries, and Office of Small Business Assistance – helping small businesses resolve disputes with state agencies.
- Administrative Services Division – Provides administrative support and executive oversight. The Division also includes the Executive Office which houses the Secretary and immediate staff.

Revenue Sources and Relationships

The nearly $18 million of General Fund support in the 2023-25 legislatively adopted budget finances 16% of total agency expenditures, which is down from 18% of total funding in the 2021-23 biennium. General Fund primarily supports the Elections Division, with some General Fund support in the Administrative Services Division, to pay Election Division administrative costs and other statewide expenses.

The Audits, Archives, and Corporation Divisions receive no General Fund and are fully supported by Other Funds. However, portions of the Audits Division and Archives Division assessments charged to state agencies are financed by General Fund appropriations to those agencies. The Audits Division receives Other Funds revenues from assessments paid by state agencies, which are based on a pro-rata share of four risk factors (cash, revenues, expenditures, and full-time equivalent positions). This is the primary funding source for the Audits Division. Agencies whose operations are predominately funded with dedicated trust funds (e.g., Department of Transportation) are billed for actual audit costs rather than through an assessment.

The Archives Division is also supported by assessments and charges to state agencies. An assessment was established in the 2013-15 biennium budget that replaced General Fund support for this Division. The assessment is based on full-time equivalent positions. The Division also assesses agencies for the storage and retrieval of inactive, non-permanent records maintained by the Division and for publication of administrative rules.

The Corporation Division is fully funded by licenses and fees that are collected from business filings, secured transactions, and notaries public to support the General Fund and the Corporation Division. The passage of SB 25 during the 2021 session allows the Corporation Division to retain sufficient fee revenues to pay monthly expenses plus establish a two-month reserve. Any monthly revenue beyond these amounts will be transferred to the General Fund. The Elections Division receives Other Funds revenue from county payments for the Oregon Centralized Voter Registration (OCVR) system. Counties support a portion of OCVR operating costs.

Budget Environment

The Secretary of State is a separately elected, constitutional office, and as such, has not been subject to the Governor's budget review. General Fund expenditures for the Secretary of State fluctuate depending on the number and type of elections conducted. For primary and general elections, the counties are responsible for the costs of conducting the elections. When statewide special elections are held, the Secretary reimburses counties for the costs. Costs associated with the production and distribution of voters' pamphlets also vary depending on the number of candidates, measures, and measure arguments filed.

Legislatively Adopted Budget

The 2023-2025 adopted budget for the Secretary of State increased by $2.4 million total funds, or 2.2%, over the 2021-23 legislatively approved budget. The total number of positions increased by eight, from 235 positions in 2021-23 to 243 in the 2023-25 legislatively adopted budget.

Specific spending changes in each division are discussed below.

Administrative Services Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	3,538,406	4,321,874	4,447,492	4,409,603
Other Funds	19,503,172	27,534,997	28,746,891	32,011,013
Total Funds	**$23,041,578**	**$31,856,871**	**$33,194,383**	**$36,420,616**
Positions	66	74	74	80
FTE	66.00	72.75	73.50	79.50

Program Description

The Administrative Services Division provides policy direction for the agency and administrative support for the Elections, Audits, Archives, and Corporation Divisions. Administrative Services is organized functionally into four areas: 1) Executive Office, 2) Business Services Division, 3) Information Systems Division, and 4) Human Resources Division.

The Executive Office includes the Secretary and the Secretary's immediate staff. The office provides policy direction and daily management of the agency. The executive staff is responsible for strategic planning, policy development, and legislative and press relations. In addition, the office staffs the State Land Board. The Business Services Division provides accounting, budgeting, payroll, purchasing, contract administration, safety and risk management, fixed assets, and inventory control services for the agency. The Information Systems Division provides centralized information technology services including database administration, Internet development, and application development and maintenance for the agency. The Human Resources Division provides advice on human resources policies and procedures, maintains employee records, and provides recruitment and training services for the agency.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget is $4.8 million, or 15.1%, higher than the prior biennium's approved budget level and is $3.2 million, or 9.7%, above the current service level. General Fund support is basically unchanged from the current service level due to end-of-session reductions to assessments and charges meant to reflect the final adopted revenue needs of the charging agencies.

Enhancements to the Administrative Services Division budget include:

- $1.6 million Other Funds to improve information technology security operations through upgraded firewalls, new applications, and refinements to internal networks and user protections. This funding supports a Security Analyst position (1.00 FTE) and Asset Manager position (1.00 FTE) to implement the new security and asset management solutions.
- $1.5 million Other Funds and three positions (3.00 FTE) were added to address the agency's many legacy applications that were written several decades ago and now need to be rebuilt and modernized. Rebuilding these unique large business systems will require additional resources to start an Application Development team. To begin this effort, an additional permanent full-time Information Systems Specialist (ISS) 8 API Developer position and a permanent full-time ISS 7 Application Developer were established. A permanent full-time Data Engineer ISS 8 position was also added to implement a modern public records solution.
- $175,865 Other Funds to establish a Procurement & Contracts Assistant position (1.00 FTE). This position will assist the Certification Office for Business Inclusion and Diversity with procurement opportunities and with navigating OregonBuys, the new state procurement system.

Elections Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	10,664,760	15,446,482	12,244,173	13,566,272
Other Funds	2,393,553	1,249,841	1,354,453	1,354,411
Federal Funds	3,982,771	10,477,283	5,002,647	4,995,435
Total Funds	**$17,041,084**	**$27,173,606**	**$18,601,273**	**$19,916,118**
Positions	25	24	22	26
FTE	24.76	24.58	22.00	26.00

Program Description

The Elections Division administers state and federal elections laws, provides training to county and city election officials, political party representatives, and candidates; publishes statewide voters' pamphlets; and administers the filing and verification of initiative, referendum, and recall petitions.

Federal Funds in the Elections Division budget come from two sources. The federal Help America Vote Act (HAVA) requires states to implement a variety of election process reforms including replacement of punch card voting systems, purchasing voting equipment that is accessible to people with disabilities, and developing a centralized voter registration system. Oregon, along with other states, received funds under HAVA to support these activities. The Federal Voting Assistance Program grant funds are one-time Federal Funds available to provide voting assistance to uniformed service members, their families, and citizens living outside the U.S.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Elections Division is $6.6 million, or 25%, lower than the 2021-23 legislatively approved budget due to phase-out of one-time federal funding used to support an information technology project to replace the current voter registration system. The 2023-25 adopted budget is $1,314,845 (or 7.1%) above the 2023-25 current service level.

Three significant budget increases were approved in the Elections Division budget for 2023-25:

- $741,804 General Fund supports two new permanent positions. An Operations and Policy Specialist 4 position (1.00 FTE) was approved to serve as a Voting Systems Specialist. This position will work with counties and voting equipment manufactures to increase uniformity by encouraging adoption of best practices and monitor adherence to the state's election regulations. A Research Analyst 3 position was approved to monitor election threats and mis/dis/mal information regarding elections. Also included is $150,000 for an Elections Education Project to provide factual election information to members of the public.
- $350,695 General Fund supports a new Compliance Specialist 3 position (1.00 FTE) to enhance the ability of the Elections Division to address complaints related to elections. Currently the Elections Investigations unit has a total of 1.50 FTE of staffing to address election complaints filed with the Secretary of State. Included in this funding was $100,000 on a one-time basis for a pilot program to conduct post-election risk limiting audits, which are not currently conducted in Oregon, but are recommended as a best practice.
- $325,474 of one-time General Fund continues a limited duration Program Analyst 3 position that had been staffing the Translation Advisory Council which was created in HB 3021 (2021). The position is needed to complete the work required of the council, which will now continue into the 2023-25 biennium.

Audits Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	22,190,449	27,023,646	29,119,691	28,739,834
Total Funds	**$22,190,449**	**$27,023,646**	**$29,119,691**	**$28,739,834**
Positions	72	72	72	72
FTE	72.00	72.00	72.00	72.00

Program Description
The Audits Division carries out the Secretary’s constitutional duties as auditor of public accounts to assure that public funds are properly accounted for and spent in accordance with legal requirements. The Division performs, or contracts for, financial and compliance audits and performance audits of state agencies, and information technology audits of state agencies. The Division further monitors approximately 1,700 local government audits and operates the Government Waste Hotline. The Division’s budget is entirely supported by Other Funds from assessments and through billings to state agencies and local governments.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Audits Division contained no significant enhancements or reductions. Budget increases are due to standard adjustments such as inflation allowance, price list increases, and fully phased-in compensation adjustments from the previous biennia. The 2023-25 legislatively adopted budget is slightly below the 2023-25 current service level due to end-of-session reductions to assessments and charges meant to reflect the final adopted revenue needs of the charging agencies, whose initial assessments and charges were based on their initial agency budget requests.

Archives Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	8,612,088	9,678,582	10,200,901	11,592,453
Federal Funds	--	20,000	20,000	20,000
Total Funds	**$8,612,088**	**$9,698,582**	**$10,220,901**	**$11,612,453**
Positions	22	24	22	24
FTE	21.75	23.38	21.75	24.00

Program Description

The Archives Division stores public records and protects and provides public access to Oregon's documentary heritage. The Division provides records management advice and assistance to state and local agencies and publishes the state's administrative rules. The Division also publishes the Oregon Blue Book and since 2017 has managed the Oregon Kid Governor Program, a civics education tool available to all Oregon fifth graders.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Archives Division is $2 million, or 21%, higher than the prior biennium level. The Division is fully supported by Other Funds primarily from assessments and charges for services, with some additional revenue from sales and anticipated small federal grants.

Enhancements to the Archives Division budget include:

- $509,452 Other Funds to make two Archivist 1 positions permanent which were added as limited duration positions in 2021-23 to complete work to preserve recordings of legislative hearings. Legislative committee hearings dating from 1957 to 2007 were recorded using propriety technology and inherently unstable media, including Sawyer Rols, reel-to-reel tapes, and audiocassette tapes. These verbatim audio recordings serve as the only complete record of the legislative committee hearings.
- $750,000 Other Funds funds the final phase of the shelf replacement project at the state Archives Building. The first phase of this project was funded in 2013. The $750,000 is funded through assessments on state agencies.
- $201,497 Other Funds pays for increasing the space used at the state Archives Building by the Archives Division staff. Space had been rented to other state agencies which will now be moving out of the building. This space was initially designed for use by the Archives Division, which will now utilize returned space to improve archival operations and meet recommended space needs for the Division's archivists.

Corporation Division

	2019-21 Actuals	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	12,057,575	14,374,813	15,159,299	15,827,601
Total Funds	**$12,057,575**	**$14,374,813**	**$15,159,299**	**$15,827,601**
Positions	39	41	39	41
FTE	39.00	40.25	39.00	41.00

Program Description

The Corporation Division is responsible for four major programs: 1) Business Registry – the filing of business names; 2) Uniform Commercial Code – the filing of secured transactions; 3) Notary Public – commissioning and regulating notaries; and 4) the Office of Small Business Assistance – works with small businesses as an ombudsman to resolve issues with state agencies.

The Corporation Division receives no General Fund and is entirely funded by fee revenues. The primary funding source is fees charged to register business entities in the state. During the 2021 session the Legislature passed SB 25, which restructures the way fee revenues not needed to operate the Division are transferred to the General Fund. SB 25 allows the Corporation Division to retain sufficient fee revenues to pay monthly expenses plus maintain a two-month reserve. Any monthly revenue beyond these amounts will be transferred to the General Fund. Previously, the Division could retain a fixed $20 per transaction; however, this amount became insufficient to sustain operations over time.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Corporation Division is $1.5 million, or 10.1%, higher than the 2021-23 approved budget and $668,302 higher than the 2023-25 current service level. Most of the increase over the prior biennium is due to the addition of $538,735 Other Funds to support two permanent positions (2.00 FTE). An Operations and Policy Analyst 4 position was established to ensure the Division's forms are available online. Currently, over 20 forms are frequently used by customers that are not available online. An Operations and Policy Analyst 3 position was added to use data from critical functions, such as business registrations and Uniform Commercial Code filings, to make recommendations designed to enhance the Division's activity forecasting and use of resources, and to better manage risk. An additional $300,000 Other Funds was approved to accommodate increased transaction and service fees paid due to the growth in receipt of credit card payments.

STATE TREASURER

Analyst: Campbell

Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	85,129,096	119,107,730	126,748,301	128,778,305
Other Funds (NL)	--	2,900,000	2,900,000	2,900,000
Total Funds	**$85,129,096**	**$122,007,730**	**$129,648,301**	**$131,678,305**
Positions	169	210	208	222
FTE	165.17	200.95	199.91	213.33

Overview

Oregon State Treasury (OST) provides banking, investment, and debt management services for the State of Oregon. OST maintains all state agency financial accounts and invests state funds not needed to meet current expenditure demands, including the state's Trust Funds. OST coordinates and issues state bonds, provides oversight of local government bonding, manages the Public Funds Collateralization Program for all financial institutions holding public funds, and invests excess funds for participating local governments. OST also administers Oregon 529 savings plans and the Oregon Retirement Savings Board, which oversees a defined contribution retirement plan (OregonSaves) for Oregonians whose employers do not offer their own plan.

The State Treasurer is a statewide elected official whose authority is established by Article VI, Section 1 of the Oregon Constitution and various state laws. The Treasurer is statutorily designated as the investment officer for the state and the Oregon Investment Council (OIC), which is responsible for establishing the state's investment policy. Statute also designates the State Treasurer as the sole banking and cash management officer of the state. The Treasurer serves on the State Land Board, chairs the State Debt Policy Advisory Commission and Oregon Retirement Savings Board, and oversees the Oregon State Treasury, the agency, as assisted by a Chief of Staff and a Deputy State Treasurer.

Although considered an executive branch agency, the State Treasurer, as a separately elected, constitutional office, may operate independent of the Governor. The executive branch makes no recommendation and exercises no budgetary control over the State Treasurer's budget. That responsibility falls solely to the Legislature. In the performance of constitutional duties, the State Treasurer is exempt from many statutes that apply to executive branch agencies, including large portions of human resources, procurement, and information technology statutes. OIC also has broad statutory authority and is not subject to legislative budgetary control.

Revenue Sources and Relationships

OST is funded with Other Funds revenues, which are projected to total $139.3 million in the 2023-25 biennium, with a beginning cash balance of $29.8 million and estimated ending cash balance of $37.4 million. The level of operating reserves varies between programs based on their various revenue streams. OST has broad authority to set its fees within statutory limits and most OST programs are supported by their own fees and charges. Revenue is generated primarily from charges and fees related to the value of managed portfolios, number and type of banking transactions processed, financial accounts, proportion of outstanding debt held by agencies, new bond issuances, bond and coupon redemptions, and holdings of state funds in excess of FDIC insurance levels. As the value of managed investment portfolios increases, so does the agency's ability to generate revenue while remaining within its statutory limits. Revenues from each operating program are used to fund shared services and administrative programs that provide direct and indirect services via a cost allocation process.

General Fund loans supported the development and implementation of OregonSaves and the Achieving a Better Life Experience (ABLE) Act Program in the 2015-17 and 2017-19 biennia. These programs are now self-supporting with application, account, or administrative fees, although the loan repayment has not yet started. OST expects to start repaying the outstanding General Fund loans during the 2025-27 biennium.

Budget Environment

The OST budget is driven by the number and complexity of financial transactions, investments, and bond transactions, as well as participation levels in other programs such as the Public Funds Collateralization Program, Oregon 529 Savings Plan, and OregonSaves. The agency processes over 46 million banking transactions biennially, including deposits, electronic fund transfers, and check issuances. OST manages, under the direction of the OIC, the majority of Oregon's short, intermediate, and long-term investment assets, including the Oregon Public Employees Retirement Fund (OPERF), State Accident Insurance Fund (SAIF), Common School Fund (CSF), and Oregon Short Term Fund (OSTF). As of June 30, 2023, the value of managed investments totaled $136.6 billion, the largest of which is the $93 billion OPERF. OST-generated returns on these funds have broad budgetary implications for state and local governments as investment returns play an important role in funding operational activities.

The passage of SB 454 (2019) transferred administration of the Uniform Disposition of Unclaimed Property Act, unclaimed estates, and escheated property from the Department of State Lands (DSL) to the State Treasurer effective July 1, 2021. During the 2021 session, the Legislature passed HB 2158, which made changes to facilitate the transfer, including the establishment of funds required to operate the programs, identification of transfers between the funds, and transition of revenue authority to the State Treasurer. The expenditure limitation and positions for the Unclaimed Property and the Estates and Escheated Property Programs were transferred from DSL to OST in the 2021-23 legislatively adopted budget.

Oregon's general obligation bond debt is rated AA+, Aa1, and AA+ by Fitch Ratings, Moody's Investors Service, and Standard & Poor's, respectively. This strong credit rating has helped the state manage borrowing costs, which began increasing from historic lows in the first half of 2022. As of June 30, 2022, state-backed debt outstanding totaled $11.3 billion, including $6.8 billion of general obligation bonds.

Per direction from a budget note in the 2019 legislative session and a report to the Joint Committee on Ways and Means in the 2020 legislative session, the 2021-23 budget for OST implemented a new budget structure, which was maintained in the 2023-25 budget, to improve transparency and oversight. The structure includes the following budgeted program areas: State and Local Government Financial Services, Public Savings Services, Investment Services, Trust Property Services, and Administrative Services.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the State Treasurer totals $131.7 million, including $128.8 million Other Funds, $2.9 million Nonlimited Other Funds, and 222 positions (213.33 FTE). The adopted budget represents an increase of $9.7 million, or 7.9%, from the 2021-23 legislatively approved budget. The budget includes additional resources and positions for government services, investment services, legal and compliance, trust property and information technology.

State and Local Government Financial Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	14,571,649	20,064,972	19,644,495	20,939,454
Total Funds	**$14,571,649**	**$20,064,972**	**$19,644,495**	**$20,939,454**
Positions	25	30	28	33
FTE	25.00	29.51	28.00	32.56

Program Description

State and Local Government Financial Services provides financial tools and services to state entities, public universities and related university entities, and local governments through two primary programs. The Cash Management Program provides centralized banking and short-term investment services to state agencies and other entities. These services include deposits, electronic fund transfers, merchant card acceptance, prepaid card issuance, and check and warrant issuance. The State Treasurer is designated as the sole banking and cash management officer for the state and establishes procedures for the handling of moneys under state agency control and reviews the effectiveness of agencies' cash management practices.

As part of the Cash Management Program, OST makes loans to state agencies and the General Fund to manage temporary cash flow insufficiencies and coordinates with the Debt Management Program to issue tax anticipation notes to finance current expenses of the state when a cash flow deficit is forecasted. The program provides administrative and operational support for the Oregon Short Term Fund (OSTF), which includes state agency operating funds, and the Local Government Investment Pool (LGIP), as a short and intermediate-term cash investment vehicles. Cash Management Program staff also administer the Public Funds Collateralization Program, which monitors commercial banks and credit unions that accept public funds to ensure the institutions pledge sufficient and appropriate collateral against any public fund deposits in excess of deposit insurance amounts.

The Debt Management Program coordinates the sale and issuance of all general obligation bonds, certificates of participation, tax anticipation notes, lottery revenue bonds, and other revenue bond programs for state agencies and public universities. Debt Management staff also oversee post-issuance compliance and reporting services, including tracking state debt data. The program determines state policy for the appropriate use and structure of interest rate exchange agreements and oversees the execution of specific interest rate swap transactions for various state bonding programs. It administers the Oregon School Bond Guaranty Act, which permits the state to guarantee general obligation bonds issued by qualified school districts, education service districts, and community college districts. The program also supports the Oregon Facilities Authority, which connects both large and small nonprofits with tax-exempt "conduit" bonds, and for the Private Activity Bond Committee. Approved conduit bonds are issued by OST, but the debt is not an obligation of or guaranteed by the state.

The Debt Management Program provides staff support to the State Debt Policy Advisory Commission (SDPAC), which advises the Governor and Legislature regarding policies and actions that will enhance and preserve the State of Oregon's credit rating and maintain access to credit markets and low-cost capital financing. The Commission maintains a multi-year forecast of Oregon's General Fund and Lottery Funds-supported debt capacity, as well as all tax-supported debt programs. Debt Management assists local government debt issuance and management by staffing the Municipal Debt Advisory Commission (MDAC), which tracks and reports on the issuance of all local government bonds. The program serves as a clearinghouse for all information related to the issuance of state and local government debt, including the publication of a state bond calendar and annual reports summarizing trends in local government debt. Debt Management Program staff also review and approve all local government advance refundings.

Revenue Sources and Relationships

State and Local Government Financial Services revenues are generated through banking transaction charges, investment fund management fees, and debt management charges. Banking charges are set to provide sufficient revenue to pay fees charged by Treasury's partner private sector banks as well as a portion of the revenue required to support Treasury's internal costs related to banking activities. Charges for each type of service are detailed on a per transaction basis within the Oregon State Government Price List of Goods and Services. OST may pass charges to each state agency for private banking services based on the number and type of transactions processed on its behalf. Local government investment pool participants are also charged for LGIP banking services in a similar manner. Revenues are expected to total $5 million for the biennium.

OST charges bank and credit union depositories for the reasonable expenses of the agency related to services, duties, and activities of the Public Funds Collateralization Program. Each bank and credit union depository is charged a flat fee of $250 for participating in the pool and program expenses not covered by the $250 flat fee are allocated to bank and credit union depositories holding state funds in excess of FDIC insurance levels. Combined, these fees are estimated to total $730,000 for the biennium.

ORS 293.718 authorizes the State Treasurer to deduct monthly investment fund management fees based on the value of assets under management from each of the investment funds. In the 2023 session, HB 2218 increased the maximum allowable fee from 0.0435 to 0.5 basis points (0.005%) of the most recent value of assets under management that may be deducted from commingled investment funds. Rates are reviewed annually and calculated to cover estimated costs to administer the funds based on projected assets under management. Currently State Treasurer does not plan to increase the current fee level up to the new maximum. Commingled investment funds include the OSTF, Oregon Intermediate Term Pool (OITP), and Oregon Local Government Intermediate Fund (OLGIF), which total $32 billion in assets as of June 30, 2022. Commingled investment fund management fees are currently set at the 0.435 basis points per month and are utilized to support the State and Local Government Services, Investment Services, and Administrative Services programs. During the 2023-25 biennium, $10.6 million of commingled investment fund management fees are projected to support State and Local Government Services activities.

The Debt Management Program may charge state agencies and municipalities fees to offset the costs of providing bond issuance, tracking, and reporting services. If the fees are not sufficient to fully fund OST debt management operations, an assessment is made quarterly against each state agency with outstanding debt issuances. Anticipated assessments for centralized debt management services are included in the statewide Price List. Revenue is expected to total approximately $5.8 million for the biennium.

Budget Environment

OST provides services to 76 state agencies, 10 public university entities, and more than 1,000 local governments. Most of the state's operating funds are invested in the OSTF through 946 agency and university accounts with an aggregate average daily balance of approximately $22 billion. Local governments have nearly 2,000 accounts in the LGIP with an aggregate average daily balance of approximately $10 billion. During fiscal year 2022, OST processed 31.3 million transactions valued at $317 billion. Additionally, as of June 30, 2022, 27 banks with $3 billion in public funds deposits and 11 credit unions with $96 million in public fund deposits participated in the Public Funds Collateralization Program.

The state's cash management system is a highly integrated suite of cash management applications that operate as a conduit between financial institutions, state treasury accounts, the state's financial management applications (accounting system), state agencies, and local governments. The program continues to work on upgrading and modernizing the agency's cash management applications and private banking contractual relationships through the Cash Management Improvement and Renewal Program (CMIRP) initiative. CMIRP was established in 2013 to focus the renewal and replacement of cash management processes and technology.

In 2019, the Legislature enacted SB 1049, which requires a public body or intergovernmental entity, prior to issuing pension obligation bonds, to obtain a statistically based assessment from an independent economic or financial consulting firm. The assessment determines the likelihood investment returns on bond proceeds would exceed the interest cost of the bonds under various market conditions. Upon receipt of the assessment, the public body or intergovernmental entity makes the results available to the public and discloses whether it has retained the services of an independent SEC-registered advisor. The public body or intergovernmental agency is required to submit the assessment to the State Treasurer at least 30 days before issuing the bonds. The State Treasurer is required to provide an annual report on local entity pension obligation bonds issued to the SDPAC. The measure also limits diversion agreements to no more than 100% of an entity's State School Fund distribution.

In 2023, the Legislature enacted HB 2001, which established the Oregon Facilities Authority (OFA) as a separate state agency and tasked it with implementing a new $3 million dollar loan program to fund housing predevelopment costs. OFA relies upon contracted service providers as they do not have any budgeted full-time staff. OFA will need to contract for implementation services related to HB 2001. It will also need to increase the scope of its contract with Treasury for support services to provide loan servicing.

<u>Legislatively Adopted Budget</u>
The 2023-25 legislatively adopted budget for State and Local Government Financial Services totals $20.9 million, which is an increase of $874,482, or 4.4%, from the 2021-23 legislatively approved budget. The budget includes a $1.1 million Other Funds investment for four permanent positions (3.68 FTE) and one limited duration position (0.88 FTE) to improve Treasury's ability to meet the daily operational and long-term strategic needs of its State and Local Government Financial Services stakeholders by hiring, training, and deploying subject matter experts to better support critical banking, cash, and debt management programs. The position details are as follows:

- Finance Division Analyst (Operations and Policy Analyst 3, 0.92 FTE) to support strategy, policy, legislative, contracting, communications, and other administrative activities related to current-state and modernization activities.
- Business Analyst (Operations and Policy Analyst 3, 0.92 FTE) to broadly support activities related to both current-state and modernization activities for Treasury and its customers, partners, and stakeholders.
- Business Continuity Analyst (Operations and Policy Analyst 3, 0.92 FTE) to focus on ongoing business continuity and resiliency efforts for banking and cash management activities.
- Debt Research and Data Analyst (Program Analyst 2, 0.92 FTE) to support the local debt verification process and provide research to address the Division's critical need for relevant and timely data. The position will also assist with State Debt Policy Advisory Commission and Municipal Debt Advisory Commission reports.
- A full-time limited duration Program Analyst 4 (0.88 FTE) to assist with the implementation of the loan program for the Oregon Facilities Authority established in HB 2001.

Public Savings Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	6,321,780	12,913,264	13,969,242	11,756,222
Total Funds	**$6,321,780**	**$12,913,264**	**$13,969,242**	**$11,756,222**
Positions	9	9	9	9
FTE	9.00	9.00	9.00	9.00

<u>Program Description</u>
The Public Savings Services program, through the Oregon Treasury Savings Network, administers programs that help Oregonians save for education, retirement, and disability-related expenses. The Network consists of the following three programs: (1) Oregon 529 College Savings Program, a state-sponsored, tax advantaged savings program for qualified expenses at any accredited, post-secondary institution, trade school, or registered apprenticeship; (2) Oregon 529 ABLE Program, which helps people with disabilities and their families save without being disqualified from their state and federal benefits; and (3) OregonSaves, a new state-sponsored retirement savings program where employees without access to an employer-sponsored retirement plan are auto-enrolled and contribute part of their paychecks to individual retirement accounts (IRAs) that stay with them throughout their careers.

The Oregon 529 College Savings Program includes two college savings plans designed to encourage people to save for future education costs: the Oregon College Savings Plan, which is offered directly, and the MFS 529 Savings Plan, which is offered through private investment advisors. Participants can choose from a variety of investment options. Earnings on the investments are exempt from income taxes if used for qualified educational expenses when withdrawn and some contributions may be claimed as a state income tax credit of up to $300 for joint returns and $150 for other filers, adjusted annually for inflation. Prior to January 1, 2020, contributions were eligible to be claimed as a deduction against income for state income tax purposes, up to a maximum contribution amount. Under federal law, contributions to College Savings programs are not tax deductible; however, the earnings on accounts are excluded from taxable income. Oregon 529 College Savings Plans are overseen by the five-member Oregon 529 Savings Board.

The Stephen Beck Jr., Achieving a Better Life Experience (ABLE) Act program is open to individuals diagnosed with a disability before the age of 26. Program expenses qualify as disability-related if they are for the benefit of an individual with a disability and are related to the disability. Examples of qualifying expenses include education, housing, transportation, employment support, health and wellness, prevention, assistive technology, and personal support services. An ABLE account holder's balance is meant to supplement, but not supplant, benefits provided through private insurance, Medicaid, Supplemental Security Income, the beneficiary's employment, and other sources. Up to $100,000 can be saved within an ABLE account without the assets affecting federal and state benefits. Annual contributions may not exceed $15,000 and some contributions may be claimed as a state income tax credit of up to $300 for joint returns and $150 for other filers, adjusted annually for inflation. Prior to January 1, 2020, contributions were eligible to be claimed as a deduction against income for state income tax purposes, up to a maximum contribution amount. Under federal law, contributions to ABLE are not tax deductible; however, account earnings are excluded from taxable income. The Oregon 529 Savings Board oversees the ABLE savings program.

The Oregon Retirement Savings Board (ORSB) was created by HB 2960 (2015) to establish a defined contribution retirement plan for people whose employers do not offer a qualified retirement plan under federal law. ORSB is a seven-member board, which includes two non-voting members from the Legislature. Before establishing a plan, the ORSB had to conduct market and legal analysis, establish rules for employees to be automatically enrolled and opt out of the plan, determine contribution and withdrawal processes, and establish exemptions for employers that provide alternative plans. ORSB established and oversees OregonSaves, which is a voluntary self-directed Roth IRA. Employee contributions from employer payroll withholdings are transferred from employers to a specific plan provider with which ORSB contracts to manage participants' individual accounts. The State of Oregon is not responsible for transferring or holding in trust any employee contributions or accounts.

<u>Revenue Sources and Relationships</u>

The Oregon 529 College Savings program has two revenue impacts: program operating revenues and state tax expenditure, which is the reduction of General Fund revenue due to the credit against personal income taxes for contributions. The program generates Other Funds revenue from an annual administrative fee on plan assets. Current administrative fees approved by the Oregon 529 Savings Board for the Oregon College Savings Plan (direct-sold) and MFS 529 Savings Plan (advisor-sold) are equal to 25 basis points (0.25%) and five basis points (0.05%) of net plan assets, respectively. Administrative fees are calculated and remitted to the Network monthly by the Oregon College Savings Plan and MFS 529 Savings Plan. Revenues are projected to total $9.3 million for the biennium. The state tax expenditure for the Oregon tax credit, or measure of the General Fund revenue impact (loss), is estimated to be $20.4 million in 2023-25.

The ABLE program has two revenue impacts: program operating revenues and state tax expenditure, which is the reduction of General Fund revenue due to the credit against personal income taxes for contributions. The Oregon ABLE Savings Plan receives fees based on the value of plan assets and annual account fees. Current fees equal 20 basis points (0.2%) annualized according to average daily net asset value and $8 per year per account. Partner state programs are charged 10 basis points (0.1%) annualized based on average daily net asset value and $3 per year per account to leverage the program structure. Fee revenue is estimated to total $1.5 million for the biennium. The state tax expenditure for the Oregon tax credit, or measure of the General Fund revenue impact (loss), is estimated to be $500,000 for the 2023-25 biennium.

ORSB charges administrative fees on assets under program management. Fees are collected by the plan administrator who remits OST a portion of the fees each month. The current administrative fee for OregonSaves is

25 basis points (0.25%) annualized according to average daily net asset value and $2 per year per account. Revenues are expected to total $1.9 million for the biennium.

OST will not start repaying outstanding General Fund loans accrued during 2015-17 and 2017-19 for OregonSaves and the ABLE program in 2023-25. Based on current revenue and expenditure forecasts, it is likely repayments will start in 2025-27. Outstanding General Fund loans for OregonSaves and the ABLE program total approximately $5.1 million and $2 million, respectively.

Budget Environment
Although administered by OST, participant support and investment management for the 529 Savings Plans and OregonSaves are provided by third party contractors. The Oregon College Savings Plan had more than 220,000 accounts and total assets of $4 billion as of June 30, 2022. The MFS 529 Plan had 89,875 accounts and total assets of $1.7 billion as of June 30, 2022. As of June 30, 2023, the total number of 529 College Savings accounts as a percentage of the total eligible population in Oregon is 12.5%. The state income tax credit for 529 plan contributions replaced a subtraction from income beginning with the 2020 tax year. However, in 2018, 47,640 full year residence personal income tax filers took an average subtraction of $3,010 and 1,460 part-year residence personal income tax filers took an average subtraction of $3,060. Notably, 87% of the revenue impact from the subtraction in 2018 accrued to those whose annual income was above $100,100.

ABLE launched in December 2016, and as of June 30, 2022, had $53 million in assets and over 5,400 accounts. In tax year 2018, about 430 personal income taxpayers saved approximately $150, on average, using the tax deduction that was replaced by the state tax credit effective for tax years after 2019. SB 163 (2019) permits the Oregon 529 Savings Board to collect application, account, or administrative fees to defray the costs of the ABLE program. Prior to the measure's passage, OST did not have explicit statutory authority to impose or collect administrative fees in relation to the ABLE program.

OregonSaves has approximately $146 million in plan assets in 115,000 contributing participant accounts as of June 30, 2022. The program officially launched on July 1, 2017 with the first of two pilot programs. An implementation plan, based on the number of employees an employer has, phased-in the program through 2021. Employers with 100 or more employees were scheduled to go first in the implementation schedule and employers with four or fewer employees will go last. SB 166 (2019) permits ORSB to enter into agreements with other states relating to retirement savings plans in those states and SB 164 (2019) makes employers failure to comply with ORSB requirements an unlawful employment practice.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Public Savings Services totals $11.8 million Other Funds, which is a decrease of $1.2 million, or 9%, from the 2021-23 legislatively approved budget. The budget decrease is driven by reduced expenditure limitation to accommodate actual patterns in spending and revenues for the ABLE and OregonSaves programs. As both programs have transitioned from the start-up phase to more routine ongoing operations in recent biennia, actual programmatic expenses have proven to be substantially less than budgeted when the programs were implemented.

Investment Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	31,158,769	43,535,929	47,661,786	48,892,939
Total Funds	**$31,158,769**	**$43,535,929**	**$47,661,786**	**$48,892,939**
Positions	66	69	69	72
FTE	65.55	68.63	69.00	71.76

Program Description

The Investment Services program manages short, intermediate, and long-term investments of state and local governments, including: the Oregon Public Employees Retirement Fund (OPERF); State Accident Insurance Fund (SAIF); Common School Fund (CSF), Oregon Short Term Fund (OSTF); Oregon Intermediate Term Pool (OITP); Oregon Local Government Intermediate Fund (OLGIF); and several state agency fixed income funds. The program invests and reinvests moneys, subject to statutory standards and Oregon Investment Council (OIC) policy guidelines. OST does not invest funds for the Oregon Treasury Savings Network; however, it oversees investment contract selections in consultation with OIC.

Investment Services is organized into the following sections: Investment Management, Investment Operations, and Investment Legal and Compliance. The Investment Management Program manages diversified institutional portfolios both internally and through external asset managers. Although the percentage of assets managed internally has increased over the last several biennia, the majority of assets are managed through external investment managers. Investment Officers are organized around the types of investments, for example, public equities, private equities, fixed income, real estate, alternative, and opportunity investments. Investment Officer compensation has a performance-based component, which ties a portion of Investment Officer maximum compensation to the performance of the investment portfolios that an investment officer manages. A portion of their compensation is deferred, not considered earned and not paid, until certain fund investment performance metrics are met. Incentive compensation is determined based on calendar year performance relative to peers. The budgeted amount for incentive compensation is approximately $3.9 million plus other payroll expenses.

The Oregon Investment Council (OIC) is established by statute and comprised of five voting members. Four members are appointed by the Governor and confirmed by the Senate and must have experience in the field of investment or finance. The State Treasurer serves as the fifth member. The executive director of the Public Employees Retirement System (PERS) serves as an ex-offico non-voting member. Statute defines the statutory funds over which OIC has the responsibility to make investment decisions. OIC is a policymaking body that sets investment policy, asset allocation targets, and benchmark return targets, and makes portfolio decisions on investment purchases and sales. However, some limited investment decision-making may be delegated to the State Treasurer. OIC also selects external investment managers and consultants, is responsible for risk management, and exercises the fiduciary responsibility of shareholders by voting for corporate board members.

OIC is not permanently staffed. OIC receives advice from outside investment and management consultants but relies primarily upon the statutory Chief Investment Officer (i.e., State Treasurer) and OST Investment Services for staffing, including for investment analysis and recommendations.

Revenue Sources and Relationships

ORS 293.718 authorizes the State Treasurer to deduct monthly investment fund management fees based on the value of assets under management from each of the investment funds. In the 2023 session, HB 2218 increased the maximum allowable fee from 0.25 basis points to 0.35 basis points (0.0035%) of the most recent value of assets under management. This amount may be deducted from all funds each month, except commingled investment funds (i.e., OSTF, OITP, and OLGIF), which many be charged 0.5 basis points. Rates are reviewed annually and calculated to cover estimated costs to administer the funds based on projected assets under management. Single entity accounts in excess of $1 billion, including the CSF, SAIF, and OPERF, make up the majority of assets under management. Currently, rates are projected to stay at 0.25 basis points and not increase to the new maximum for all accounts except SAIF, which will be charged 0.15 basis points. Revenues are expected to total $65.2 million for the biennium.

OST invests excess cash for durations of less than one year in the OSTF. As of June 30, 2023, the net asset value of the OSTF totaled $33.5 billion. This includes the assets of the Local Government Investment Pool (LGIP), which is the vehicle for local governments and Oregon’s nine federally recognized Tribes to invest in the OSTF. The proceeds from tax anticipation notes issued by OST and a portion of the OPERF are also invested in the OSTF. The OITP began on June 30, 2010 and invests excess cash for durations of up to 10 years. HB 2140 (2013) allowed local governments to invest in a commingled intermediate term pool that might look like the OITP but would likely be administered separately from the OITP. The value of the OITP was $312.4 million as of June 30, 2023.

OIC is not subject to legislative budgetary control and, by statute, has the authority to charge any expense against gross investment earnings. These costs include investment fees, commissions, and other expenses for private third-party investment managers and brokerage commissions, charged against OIC-supervised investment funds. This type of expenditure authority is unique in state government and demonstrates the unrestricted autonomy in which OIC is allowed to operate. Additionally, since OIC is not designated as a state agency, nor subject to expenditure limitation, OIC is not required to appear before the Legislature. OIC expenditures for the management of investments appear in the financial statements of the agency for whom the expenditures were incurred. The PERS Comprehensive Annual Financial Report for fiscal year 2022 shows that investment expenses for OPERF totaled $1.4 billion, an increase of $442.7 million (or 44.3%) from the $999.7 million in investment costs in 2021. Assets under management totaled $95.9 billion which declined by $1.4 billion from 2021.

Budget Environment

The Investment Services program, operating under the direction of the State Treasurer as the state's investment officer, and with policy set by the OIC, manages a portfolio of $136.6 billion, as of June 30, 2023. Institutional investment standards, industry best practices, as well as broad and deliberate diversification efforts have historically produced strong results. OPERF's performance record ranks at the top of similar-sized public investment funds. The strategy employed by Investment Services is designed to produce positive returns in bull market conditions, while mitigating portfolio volatility and protecting against sharp or protracted downturns. Over time the portfolio has grown more complex with a greater level of risk to achieve target returns.

After the close of the 2017 legislative session, OIC voted to move the Individual Account Program (IAP), a PERS benefit, to a target-date fund solution beginning January 2, 2018 to better align the investment profile to each individual's anticipated retirement date. This is an age-based approach that moves a member's IAP assets into an increasingly conservative investment portfolio, which may impact member earnings and ultimately their retirement benefit. Prior to the change, the IAP had been invested no differently than other assets in the OPERF. The OIC change initiated a glidepath to begin moving IAP assets into a newly established target-date fund structure at initial implementation. Subsequent legislation in 2018 and 2019 provided IAP members with a choice of investment options into a target-date fund based on risk tolerance rather than age.

Perhaps no actuarial assumption is more financially significant to Oregon's public pension system than the assumed earnings rate, which is currently 6.9% for the 2023-25 biennium. The assumed earnings rate is generally defined as the rate of investment return the PERS Board expects the Public Employees Retirement Fund to earn over the long-term, which is defined as 20 years. Technically, the assumed earnings rate is comprised of a series of assumptions about current and projected interest rates and rates of inflation, and projected market rates of returns for various asset classes. Financial modeling does not consider past returns on the PERS portfolio. OIC received a consultant's report that calculated a geometric median return over 20 years at 7.6%. The actual 26-year market return between 1997-2022 is 8.35%, which includes the 2008 financial crisis. OPERF's 20-year return was 9.19%, and its 10, five, and three-year returns were 8.64%, 7.78%, and 8.49%, respectively. The National Association of State Retirement Administrators median assumed rate of return across public pension plans is 7%.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Investment Services totals $48.9 million Other Funds, which is an increase of $5.4 million, or 12.3%, from the 2021-23 legislatively approved budget. The budget includes a $1.3 million Other Funds increase for the following three permanent positions (2.76 FTE):

- Two Associate General Counsels (Principal Executive/Manager I, 1.84 FTE) to perform authorized legal work for Treasury including overseeing a broad range of investment issues and transactions. The additional positions will allow more of the work currently being done by outside firms to be insourced by the Legal and Compliance Division with the intent of reducing costs.

- A Service Model Program Manager (Senior Investment Analyst, 0.92 FTE) to support the centralization of service delivery model standards for all portfolios. The position will increase oversight of the State's pension and non-pension assets managed by the Investment Services program area.

Trust Property Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	--	8,568,136	8,993,607	9,748,642
Other Funds (NL)	--	2,900,000	2,900,000	2,900,000
Total Funds	**--**	**$ 11,468,136**	**$11,893,607**	**$12,648,642**
Positions	--	19	19	21
FTE	--	17.76	18.25	20.84

Program Description
Trust Property Services administers two programs transferred from the Department of State Lands (DSL) to Treasury through SB 454 (2019), effective July 1, 2021. The Unclaimed Property program is a national program that offers consumers a central location to search for unclaimed or abandoned property, including dormant bank accounts, securities, unpaid wages, life insurance payouts, and credit balances. Businesses and institutions that have unclaimed property are required to report and remit the assets to the state, which are held in the Common School Fund (CSF) until claimed by owners or their heirs. Unclaimed Property program staff work with holders of unclaimed property to help them with reporting and remitting property to the state; promote awareness of the program and search for property owners; manage claims; and audit entities to strengthen compliance with unclaimed property laws.

The Estates and Escheated Property program is responsible for handling the affairs of individuals who die without a will or known heirs, including making funeral arrangements, providing property notices, identifying assets and creditors, paying bills, searching for heirs, and reviewing and validating heirship claims. Estates and Escheated Property program staff work closely with medical examiners, attorneys, financial institutions, debt collectors, sheriff departments, and other state agencies. If no heirs come forward 10 years from the date of death, the value of the estates permanently escheats to the Common School Fund.

Revenue Sources and Relationships
Other Funds revenues for the Trust Property Services program are generated through interest earned on unclaimed property and administrative fees. A total of $93 million of unclaimed property was received by the state in fiscal year 2022, an increase of 18.5% over 2020 fiscal year. The value of unclaimed property held in trust within the Common School Fund was more than $900 million as of the end of fiscal year 2022 and comprised about 40% of the $2.3 billion CSF balance. Earnings on unclaimed property received by OST support program administration. Fees charged to cover the direct and indirect costs of administering estates are estimated to total approximately $2.3 million in the 2023-25 biennium.

Budget Environment
A new fully electronic unclaimed property system (KAPS) was implemented during fiscal year 2020, making it easier to file a claim and increasing the number of claims. During fiscal year 2022, the state returned 34% of property received from holders, a slight increase from the 32.8% returned in 2020, but less than the nationwide target of 50%. The number of claims processed in 2022 (36,652) were higher than the prior year.

The number of intestate deaths reported to the Estate and Escheated Property program has increased tenfold over the last decade, from 121 in 2010 to more than 1,200 in 2022. Based on population trends, the number of individuals who die with a will or known heirs is expected to continue growing. Heirs are identified in approximately 70% of cases, but if no heirs are identified or when an heir refuses to take possession, the funds are held for 10 years from the date of death or eight years from the time of judgement before the estate permanently escheats to the CSF. As of June 30, 2023, $9.5 million was pending permanent escheatment to the CSF.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for Trust Property Services totals $12.6 million, which is an increase of $1.1 million, or 9.9%, from the 2021-23 legislatively approved budget. The adopted budget includes an increase of $464,846 for the following two permanent positions:

- Outreach Coordinator (Public Affairs Specialist 1, 0.92 FTE) to raise awareness of the unclaimed property program with businesses who may not be properly reporting held property. The position will actively promote the division to its many stakeholders and ensure that the programs meet statutory outreach and promotion requirements.
- Estates Coordinator (Program Analyst 1, 0.92 FTE) to provide additional capacity in responding to estate cases. The position will enable Treasury to deploy two estates teams concurrently, to better safeguard Oregonians' assets and reduce litigation risk.

Administrative Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
Other Funds	33,076,898	34,025,429	36,479,171	37,441,048
Total Funds	**$33,076,898**	**$34,025,429**	**$36,479,171**	**$37,441,048**
Positions	69	83	83	87
FTE	65.62	75.88	75.66	79.17

Program Description
Administrative Services provides overall agency support and leadership through the following programs: Shared Services, Information Technology Services, and the Office of the State Treasurer. Shared Services provides agency-wide support services and includes the Deputy State Treasurer, who provides operational leadership, as well as human resources, internal audit, budget and accounting, procurement, data and records management, facilities, project management, and continuity of operations. Information Technology provides information security, technical services, infrastructure services, and application development for the agency. The Office of the State Treasurer is comprised of the State Treasurer, the Treasurer's Chief of Staff, legislative affairs, communications, policy, constituent services and stakeholder engagement, and executive support staff.

Revenue Sources and Relationships
Administrative Services is financed by a portion of each program's revenues that are internally assessed to support those functions. The cost allocation assessment is based on budgeted amounts and then adjusted for actuals in the fourth quarter of each fiscal year. Revenues are captured in the operational divisions and then transferred to Administrative Services, except for commingled investment fund management fees supporting cost allocation for the Cash Management and Investment Services programs. These revenues are allocated directly to Administrative Services and are projected to total $14.2 million for the biennium. Cost allocation assessment transfers to Administrative Services are anticipated to total $24.5 million.

Budget Environment
State finance continues to become more complex given changes in investing, investment management, cash management, bonding, and relatively recent new program additions, such as the ABLE, ORSB, and Trust Property programs. During the 2013-15 biennium, Treasury transitioned to utilizing the Department of Administrative Services (DAS) Shared Client Services for payroll, accounting, and budget services. The Legislature approved OST's request for a Budget Officer in 2017 and further approved accounting and budget positions in the 2019-21

biennium to return DAS contracted services to Treasury. Review and approval of the State Treasurer's information technology program and security plans by the DAS is not required by statute, but OST continues to build upon an Information Security Management program. The State Treasurer's salary is set by statute, which is set at $77,000 per year plus other payroll expenses.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Administrative Services totals $37.4 million, which is an increase of $3.5 million, or 10.2%, from the 2021-23 legislatively approved budget. The budget includes a $975,707 Other Funds increase for the following position increases and position reclassification:

- Deputy Chief Information Officer (Principal Executive/Manager F, 0.92 FTE) to help lead Treasury's Information Technology Unit.
- Application Security Analyst (Information Systems Specialist 8, 0.92 FTE) to be responsible for integrating cybersecurity processes and practices into all phases of the application development life cycle.
- Computer Operator (Information Systems Specialist 3, 0.92 FTE) to support critical daily and ongoing banking activities in support of banking operations programs.
- Permanent, part time Accountant 2 (0.25 FTE) to support the servicing of loans for the Oregon Facilities Authority's new program outlined in HB 2001.
- Reclassification of the Chief Information Officer (CIO) from Principal Executive/Manager level F to level G.

LEGISLATIVE

BRANCH

LEGISLATIVE BRANCH

Analyst: MacDonald

Branch Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	138,821,812	417,430,899	195,790,510	215,631,154
Other Funds	80,374,487	38,309,957	13,440,425	234,110,425
Other Funds (NL)	12,410,308	1,240,880	1,203,294	1,244,820
Total Funds	**$231,606,607**	**$456,981,736**	**$210,434,229**	**$450,986,399**
Positions	573	590	587	600
FTE	459.09	476.65	478.35	489.22

Overview

The legislative branch includes members of the Legislative Assembly and their employees, six statutory committees and offices, and the Commission on Indian Services. The statutory committees and offices, which provide administrative and operational support and specialized analysis, include: the Legislative Administration Committee; Legislative Counsel Committee; Legislative Fiscal Office; Legislative Policy and Research Office; Legislative Revenue Office; and Legislative Equity Office.

The 2023-25 legislatively adopted budget for the Legislative Branch totals $451 million, which includes $215.6 million General Fund and $235.4 million Other Funds, and supports 600 positions (489.22 FTE). The branch's total funds budget is $6 million, or 1.3%, lower than the 2021-23 legislatively approved budget. The General Fund budget is $201.8 million, or 48.3%, lower than 2021-23. The decrease in General Fund is primarily due to the current service level phase-out of a six-year capital construction appropriation approved in 2021-23 for the third phase of the Capitol Accessibility, Maintenance, and Safety (CAMS) project. An increase of $195.8 million in the branch's Other Funds budget is driven by the authorization of general obligation bonds to fund most of the estimated remaining costs of CAMS III.

Other notable adjustments supported in the 2023-25 budget include a net increase of 10 positions across multiple offices, several position reclassifications, and one-time support for information technology projects. The General Fund costs associated with these changes are supported with the branch's 2021-23 General Fund reversions. Unlike executive branch agencies, statute allows the legislative branch to retain unspent General Fund.

Legislative Assembly

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	51,890,626	69,822,774	72,043,802	72,072,109
Other Funds	1,757	147,199	173,805	173,805
Other Funds (NL)	85,720	150,000	150,000	150,000
Total Funds	**$51,978,103**	**$70,119,973**	**$72,367,607**	**$72,395,914**
Positions	335	336	333	333
FTE	253.53	254.77	253.77	253.77

Program Description

The Legislative Assembly budget includes salaries and per diem for legislative members and their staff, the leadership and caucus offices, the Secretary of the Senate, the Chief Clerk of the House, session staff, and Senate

Executive Appointments. The Legislative Assembly budget also includes funding for the Legislative Equity Office, which was established in the 2019 session through the adoption of HB 3377.

Revenue Sources and Relationships
General Fund supports over 99% of the Legislative Assembly's activities. Other Funds revenue subject to expenditure limitation comes from reimbursements for duplicating services and public records requests. The budget also includes Other Funds Nonlimited revenue from the Lounge Revolving Account, established in ORS 171.117, which receives payments from legislative members to pay for the cost of food served in member lounges.

Budget Environment
Oregon has a citizen legislature that consists of two chambers: the Senate, which has 30 members elected to serve four-year terms, and the House of Representatives, which has 60 members elected to serve two-year terms. The primary responsibility of the Legislative Assembly is to produce a balanced budget that complies with state and federal laws, represents the priorities established by the Legislature, receives an affirmative vote by a majority of each chamber, and is signed into law by the Governor. The Legislature also considers thousands of policy proposals each biennium and enacts laws on behalf of the citizens it represents.

The Legislature meets in a longer session every odd-numbered year and enacts a biennial budget. In 2010, voters approved the addition of a shorter annual session to be held in even-numbered years. Sessions may not exceed 160 days in odd-numbered years and 35 days in even-numbered years. When the Legislature is not in session, interim committees examine specific topics and a joint committee, the Emergency Board, is appointed to periodically address fiscal issues that need to be addressed prior to the next regular session. Because the Emergency Board has limited authority, fiscal circumstances can require the Legislature hold a special session to ensure the budget remains balanced.

The portion of the Legislative Assembly budget to cover the costs for members is comprised of appropriations that reflect session and interim activities. The remainder of the budget is divided among appropriations that support the biennial costs of the House and Senate leadership offices, majority and minority offices, Secretary of the Senate, and Chief Clerk of the House, as well the Legislative Equity Office.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Legislative Assembly is $72.4 million total funds and 333 positions (253.77 FTE). The budget is $2.3 million, or 3.2%, higher than the 2021-23 legislatively approved budget. Most of this change reflects current service level and statewide adjustments. An increase of $63,504 General Fund was also approved to support the reclassification of the Legislative Equity Officer position from salary range 18 to 19. This change is commensurate with the salary approved as part of the legislatively approved appointment to the position, which had been vacant throughout the 2021-23 biennium.

Legislative Administration

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	51,913,161	299,272,277	72,438,738	88,955,033
Other Funds	74,923,422	30,919,580	5,972,200	226,642,200
Other Funds (NL)	11,917,553	458,476	396,000	396,000
Total Funds	**$138,754,136**	**$330,650,333**	**$78,806,938**	**$315,993,233**
Positions	79	81	81	83
FTE	74.42	77.50	78.46	80.71

Program Description
The Legislative Administration Committee (LAC) appoints a Legislative Administrator to direct and manage the administrative operations and support systems for the Legislative Assembly and legislative branch agencies. Nonpartisan services include support for legislators and their staff; information systems and technology support; building operations and facilities maintenance for the State Capitol; accounting, payroll, and personnel functions; project management; and public information and visitor services. The LAC budget also includes funding for the Oregon State Police to provide a security presence for the State Capitol building.

Revenue Sources and Relationships
General Fund supports most of LAC's ongoing expenditures. Other Funds revenue is generated from Capitol Building office space and hearing room rent, parking fees, electric car charging stations, donations for Holidays at the Capitol, equipment rentals, sales of publications and audio tapes, and copy and vending machine usage. LAC adopts the same rental rate for non-branch occupants of the Capitol as the rate imposed by the Department of Administrative Services for occupants of other state buildings. Parking and electric car charging fees and revenue from rentals, pay phones, and vending machines are deposited in the State Capitol Operating Account, which is used to partially cover expenses incurred in operating, maintaining, protecting, and insuring the Capitol.

In addition, proceeds from the issuance of general obligation bonds approved for capital projects administered by LAC, including the CAMS and Document Publishing and Management System (DPMS) projects, are also budgeted as Other Funds revenues. The budget also includes Other Funds revenue from donations or other revenues received for deposit into the Oregon Capitol History Gateway Fund and Oregon State Capitol Foundation Operating Fund for preserving the Capitol's history, sponsoring certain events and exhibits, and supporting initiatives that engage the public, such as civics education. Nonlimited Other Funds expenditure limitation is budgeted in LAC to support expenditures from the Stores Revolving Account, which receives revenue from retail sales in the Capitol gift shop, and the Property and Supply Stores Account, which receives revenue from the sale of supplies to legislative agencies.

Budget Environment
The variability in LAC's General Fund and Other Funds budgets over the last four biennia is largely due to the CAMS project. The CAMS project was initially approved in 2016 as a scaled down version of the Oregon State Capitol Renovation project, involving some components of the renovation project with the major exception of the seismic retrofitting of the Capitol building. Capital upgrades included improving handicap accessibility to the building, enhancing security by relocating the Oregon State Police Capitol Office from the basement to the first floor, and making other necessary safety, mechanical, and maintenance improvements.

Funding for the second phase of the CAMS project was approved during the 2020 second special session to further capital improvements, including seismic upgrades to the House and Senate wings, seismic and other upgrades to the parking garage connectors, and accessibility improvements to the south entrance. During the 2022 regular session, the Legislature approved an increase of $242.7 million, which included $223.1 million General Fund (capital construction) and $19.6 million Other Funds financed through the issuance of general obligation bonds, for partial support of the third and final phase of the CAMS project. This phase of the project includes upgrades to the 1938 building, replacement of fire protection systems, seismic retrofits, roof repairs, security upgrades, information technology and media modernization, and upgrades to the remaining mechanical, electrical, and plumbing equipment not addressed in the first two phases. An additional bond sale of $215 million was authorized in the 2023 session to continue supporting CAMS III project costs through the 2023-25 biennium, with an estimated $7.1 million in additional project costs remaining to complete the project early in the 2025-27 biennium.

Other significant factors affecting LAC's costs are the continued demand for improved information systems; maintenance and repair of the Capitol, including security needs; and meeting the needs of legislators and committees. The length of legislative sessions and the number of bill introductions, amendments, and committee hearings also affect the agency's workload and costs.

Legislatively Adopted Budget
The 2023-25 legislatively adopted budget for the Legislative Administration Committee totals $316 million, which includes $89 million General Fund and supports 83 positions (80.71 FTE). The total funds budget is $14.7 million, or 4.4%, lower than the 2021-23 legislatively approved budget, and the General Fund budget is $210.2 million, or 70.3%, lower than in 2021-23. The significant General Fund decrease is largely driven by the phase-out of the six-year capital construction appropriation approved in 2021-23 for the CAMS III project. The budget also includes an increase of $215 million in Other Funds expenditure limitation, which is funded through the issuance of general obligation bonds, to support the project through the 2023-25 biennium. LAC's 2023-25 budget also includes the following adjustments:

- *DPMS Project*: One-time increase of $4 million total funds ($250,000 General Fund) to fund the completion of a new bill drafting and publication system, known as the Document Publishing Management System (DPMS); of the total amount, $3.75 million represents Other Funds expenditure limitation to support the carryover of unspent bond proceeds from the 2021-23 biennium.
- *OLIS Transformation Planning*: One-time increase of $690,000 General Fund for the planning stage of a project to replace the Oregon Legislative Information System (OLIS) and related legacy systems.
- *New Positions*: Increase of $671,874 General Fund to support the establishment of a permanent full-time Application Developer position (1.00 FTE) in Information Services and a Budget Analyst position (1.00 FTE) in Financial Services to address workload levels in those programs.
- *Reversions*: Decrease of $3.8 million General Fund from the program's other services and supplies budget to recognize the transfer of estimated 2021-23 reversions available to offset 2023-25 General Fund increases in LAC and other legislative agencies.

Legislative Counsel

	2019-21 Actual	**2021-23 Legislatively Approved**	**2023-25 Current Service Level**	**2023-25 Legislatively Adopted**
General Fund	14,863,657	19,023,789	19,828,459	19,817,118
Other Funds	1,142,918	2,206,065	2,275,376	2,275,376
Other Funds (NL)	407,035	632,404	657,294	698,820
Total Funds	**$16,413,610**	**$21,862,258**	**$22,761,129**	**$22,791,314**
Positions	62	64	64	65
FTE	55.08	57.00	57.58	58.04

Program Description
Overseen by the Legislative Counsel Committee, the Office of the Legislative Counsel (LC) provides legal and publication services to the Legislative Assembly and its members, as well as other agencies of state government. LC drafts measures and amendments for legislators, legislative committees, and state agencies; provides legal opinions and advice to legislators and legislative committees; analyzes measures for conflicts and drafts conflict amendments; and prepares indexes and tables for all measures introduced during a legislative session. Every two years following each session, LC creates, annotates, indexes, publishes, and sells the only official codification of the *Oregon Revised Statutes (ORS)* and session laws (*Oregon Laws*). LC also conducts a review of all new administrative rules adopted by state agencies to determine if they are consistent with the agencies' statutory authority.

Legislative Counsel is charged by statute (ORS 173.335) with providing necessary drafting services "as legislative priorities permit" to the Oregon Law Commission. The Commission was established in 1997 to identify defects or anachronisms in the law and recommend needed reforms to the Legislative Assembly.

Revenue Sources and Relationships

General Fund supports approximately 87% of LC's expenditures. Other Funds revenues are derived from sales of the *Oregon Revised Statutes*, *Oregon Laws*, bill drafting services, and other specialty publications. A portion of *ORS* publication sales income is expended as limited Other Funds and used to defray that part of the agency's expenses related to publication editing. The balance of the income is expended as Nonlimited Other Funds within the ORS Publications Program. Receipts from the sale of *Oregon Laws* are expended as Nonlimited Other Funds in the Legislative Publications Program. LC also has statutory authority to charge state agencies and other entities for drafting legislation and has done so since the 2001-03 biennium.

Budget Environment

Increases in bill drafting requests can compound staff workload levels as measures are introduced, amended, and finalized. LC received 5,136 draft requests and produced 4,979 final drafts during the 2023 session, which compares to 4,083 final drafts in 2021 and 4,881 in 2019. LC also drafted 3,024 amendments and produced 204 legal opinions and 20 research requests during the 2023 session, which are higher volumes than in the 2021 session, but generally lower compared to the previous long sessions from 2007 through 2019. LC's workload is also impacted by the complexity of drafting requests, scope of annual sessions, frequency of special sessions, and increased demand for shorter turnaround times. During legislative sessions, the agency hires temporary employees that serve primarily as copy editors for staff attorneys and assist with workload issues. However, the agency has reduced its reliance on temporary staff over the last several biennia and the budget now includes more full-time permanent positions.

Publication sales of *Oregon Revised Statutes* and *Oregon Laws* have declined in recent biennia due, in part, to free or low-cost information available online. Overall, Other Funds receipts have remained stable because of increased efficiencies in operations and sales of specialty publications. Specialty publications include the criminal code; family law code; landlord-tenant laws; and labor, employment, and workers' compensation laws. If Other Funds receipts were to decline, additional General Fund support may be needed to support *ORS* publications.

LC is reliant on information technology to provide timely and accurate services and is currently working with LAC Information Services on the implementation of the Document Publishing and Management System project. This system is intended to serve as a significant upgrade in the technology used for bill and amendment drafting and legislative publications. The system is planned to go into production after the 2024 session and be fully functional for bill drafting services for the 2025 regular session.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for Legislative Counsel totals $22.8 million, which includes $19.8 million General Fund and supports 65 positions (58.04 FTE). The total funds budget is $929,056, or 4.2%, higher than the 2021-23 legislatively approved budget. The following summarize the key adjustments supported in the adopted budget:

- *Legislative Counsel Positions*: Increase of $556,257 General Fund to establish a permanent full-time Deputy Legislative Counsel position (1.00 FTE) and reclassify two Deputy Legislative Counsel positions to Senior Deputy Legislative Counsel positions to address workload levels and for professional growth within the Legal Services Division.
- *Editor/Analyst Position*: Increase of $103,960 General Fund to establish a permanent full-time Editor/Analyst 2 position (0.46 FTE) to meet increased publication demands.
- *Vacant Position Elimination*: Decrease of $150,453 General Fund and one position (1.00 FTE) to reflect the elimination of a vacant Publications Specialist 1 position, which was established in 2021 to meet estimated workload demands but is no longer needed.
- *Reversions*: Decrease of $509,764 General Fund from LC's other services and supplies budget to recognize the transfer of 2021-23 reversions available to offset General Fund increases approved in LC's adopted budget.

Legislative Fiscal Office

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	5,523,827	8,629,206	9,056,315	9,054,671
Other Funds	4,305,023	5,029,509	5,011,440	5,011,440
Total Funds	**$9,828,850**	**$13,658,715**	**$14,067,755**	**$14,066,111**
Positions	27	27	27	27
FTE	25.77	27.00	27.00	27.00

Program Description

The Legislative Fiscal Office (LFO) is a non-partisan, legislative service agency created by statute in 1959. LFO researches, analyzes, and makes recommendations concerning state expenditures, financial affairs, program administration, and agency organization. The Office reports to the Joint Committee on Ways and Means during legislative sessions and to the Emergency Board and the Joint Interim Committee on Ways and Means during the interim. LFO determines the fiscal impact of legislative measures and publishes fiscal impact statements that accompany bills through the legislative process. The Office also provides budget analysis and policy recommendations concerning state agency information technology projects and supports committees related to information technology and audits. LFO produces various publications to guide the Joint Committee on Ways and Means processes; provides legislative members, agencies, and the public with detailed and summary information as each budget is presented and subsequent to adoption; and annually reports on the status of all liquidated and delinquent accounts, as well as agency efforts to collect on such accounts.

Revenue Sources and Relationships

The Legislative Fiscal Office had been supported entirely with General Fund until the 2013 Legislative Assembly approved Other Funds to support agency operations. The source of this revenue is a portion of the Central Government Service Charge (CGSC) assessment, which assesses agencies that have Other Fund-supported positions to recover the actual costs of the Legislative Assembly, Legislative Fiscal Office, Legislative Counsel Committee, and Governor's Office. In the past, all CGSC revenues were transferred to the General Fund. However, as a portion of the CGSC formula is driven by costs associated with the Legislative Fiscal Office, the Legislature decided to target funds directly to the Office.

Budget Environment

As with other legislative service agencies, the work of LFO staff changes between legislative sessions and the interim. During sessions, budget analysis and the number of bill introductions and amendments are the primary drivers of workload for the agency. Consistent with statutory requirements, LFO reviews substantive measures to determine if they have a fiscal impact on state and local government and prepares fiscal impact statements for those reported out of committees.

During the interim, workload is driven by the number, length, and complexity of any special sessions necessary to rebalance the statewide budget; number and complexity of state agency requests to the Joint Interim Committee on Ways and Means and Emergency Board; and number of other program and fiscal issues that require analysis. In addition, the Office publishes detailed budget analyses, summary documents, and information briefs on budget-related topics during this time. Throughout both the interim period and legislative sessions, LFO also spends a significant amount of time educating and providing information to members, legislative staff, and other stakeholders about the budget process and current budget issues.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Legislative Fiscal Office is $14.1 million total funds, which includes $9.1 million General Fund and $5 million Other Funds, and supports 27 positions (27.00 FTE). The adopted budget includes only current service level and statewide adjustments.

Legislative Policy and Research Office

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	11,030,524	16,233,694	17,642,567	20,439,866
Total Funds	**$11,030,524**	**$16,233,694**	**$17,642,567**	**$20,439,866**
Positions	61	72	72	81
FTE	41.29	50.63	51.54	58.82

Program Description

The Legislative Policy and Research Office (LPRO) was established through the passage of SB 1569 (2016) to provide professional, nonpartisan research, policy analysis, and committee management services for the Legislature. Prior to the establishment of a separate legislative agency, the services provided by LPRO were included within Legislative Administration. LPRO provides staff support for legislative committees by assisting committee chairs with meeting organization and administration; conducting measure analysis; and coordinating with other legislative offices on bill drafts, amendments, and fiscal and revenue impact statements. The Office also produces committee meeting records and develops publications that serve as resources for legislators, legislative staff, state agencies, and the public. The LPRO director is appointed by the joint Legislative Policy and Research Committee.

Revenue Sources and Relationships

The Legislative Policy and Research Office is entirely supported by General Fund.

Budget Environment

As with other legislative service agencies, the number of introduced bills, proposed amendments, and legislative hearings creates the workload for the agency during regular and special sessions. Similarly, the number of committees, task forces, workgroup meetings, and research and analysis projects determine LPRO's workload during the interim period between sessions. During the 2021-23 biennium, LPRO staffed 29 House, Senate, and joint legislative committees in each of the 2022 and 2023 sessions, as well as 35 committees and six task forces during the interim. LPRO also supported multiple workgroups and responded to more than 100 research requests during the same biennium. In parallel to this work, LPRO helped redesign the committee process to allow for hybrid meetings and provide American Sign Language and spoken language interpretation, translation, and live captioning services.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Legislative Policy and Research Office is $20.4 million General Fund and supports 81 positions (58.82 FTE). The budget is $4.2 million, or 25.9%, higher than the 2021-23 legislatively approved budget. Of this increase, $1.4 million results from base budget and current service level adjustments for position-related costs and standard inflationary increases. The remainder is largely driven by policy package increases and the establishment of two LPRO-supported task forces resulting in six additional permanent full-time positions (5.28 FTE) and three limited duration positions (2.00 FTE). These increases include the following:

- *Publications Editor*: $261,064 General Fund to establish one permanent full-time Publications Editor position (0.88 FTE) responsible for reviewing, editing, and publishing LPRO's written and online materials.
- *Language Access Services*: $522,126 General Fund to establish one permanent full-time Spanish Interpreter (0.88 FTE) and one permanent full-time American Sign Language Interpreter (0.88 FTE) to meet an increasing demand for language access services.
- *Committee Services*: $489,852 General Fund to establish one permanent full-time Senior Legislative Analyst (0.88 FTE) and one permanent full-time Legislative Analyst (0.88 FTE) to address staffing constraints in Committee Services.

- *Policy Research and Analysis*: $261,063 General Fund to establish one permanent full-time Senior Research Analyst position (0.88 FTE) to help the office respond to the growing number and complexity of legislative requests and work supporting task forces and workgroups.
- *Task Forces on Substitute Teachers/Educator Salary Schedules*: $795,000 in one-time General Fund and three full-time limited duration positions (2.00 FTE) for LPRO's work supporting the Task Force on Substitute Teachers ($300,000) and Task Force on Statewide Educator Salary Schedules ($495,000), as required through the adoption of SB 283 (2023).
- *Joint Task Force on Hospital Discharge Challenges*: $500,000 in one-time General Fund for LPRO to contract with a health policy research consultant to support the work of the Joint Task Force on Hospital Discharge Challenges established in HB 3396 (2023).

Legislative Revenue Office

	2019-21 Actual	**2021-23 Legislatively Approved**	**2023-25 Current Service Level**	**2023-25 Legislatively Adopted**
General Fund	2,994,095	3,534,962	3,643,126	4,061,646
Total Funds	**$2,994,095**	**$3,534,962**	**$3,643,126**	**$4,061,646**
Positions	7	7	7	8
FTE	7.00	7.00	7.00	7.88

Program Description

The Legislative Revenue Office (LRO) was established in 1975 to provide non-partisan analysis of tax and school-finance issues. The Office prepares research reports and writes revenue impact statements on initiatives, proposed legislation affecting state or local public finance, personal and corporate income taxes, property taxes, consumption taxes, school finance, and distribution of the State School Fund. As part of this work, LRO provides staff assistance to the House Revenue Committee, Senate Finance and Revenue Committee, and Joint Committee on Tax Expenditures during legislative sessions and to interim revenue committees, task forces, and workgroups between sessions.

Revenue Sources and Relationships

The Legislative Revenue Office is entirely supported by General Fund.

Budget Environment

As with other legislative service agencies, the number of bill introductions and amendments creates the workload for the agency during regular and special sessions. Increases in bills and amendments, along with tax-related voter initiatives and legislative referrals, require LRO staff to write more revenue impact statements. The number of revenue, school finance committee, task force, and workgroup meetings and related research and analysis projects determines LRO's interim workload.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Legislative Revenue Office is $4.1 million General Fund and supports eight positions (7.88 FTE). The budget is $526,684, or 14.9%, higher than the 2021-23 legislatively approved budget. Most of this increase results from an additional $418,643 to establish a new permanent full-time Senior Economist position (0.88 FTE) to support an increasing number of tax programs and statutorily directed task forces and workgroups requiring LRO support.

Commission on Indian Services

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	605,922	914,197	1,137,503	1,230,711
Other Funds	1,367	7,604	7,604	7,604
Total Funds	**$607,289**	**$921,801**	**$1,145,107**	**$1,238,315**
Positions	2	3	3	3
FTE	2.00	2.75	3.00	3.00

Program Description

The Legislative Commission on Indian Services (LCIS) compiles information on services available to Indians, assesses state programs and services, serves as a forum for considering Indian problems, and advises on matters relating to the preservation and protection of Indian historic and archaeological resources. LCIS fosters communication between the state and tribal governments, and among tribes to build relationships and address issues and shared areas of concern. The Commission, created in 1975, has 13 members appointed by the President of the Senate and Speaker of the House of Representatives for two-year terms. Commission membership includes representatives from each of Oregon's nine federally recognized tribal groups, as well as two senators and two state representatives. An additional non-voting member associated with Indian health matters may also be appointed by the Commission.

Various statutes require the Commission to be consulted on matters related to the preservation and protection of Indian fish, wildlife, historic, and archaeological resources. State agencies are required to consider Oregon's nine federally recognized tribal governments when developing policies and implementing programs that may affect tribal interests. The law also requires the Governor to annually convene a meeting of agency representatives and the tribes; the Department of Administrative Services to provide annual training to agency managers and employees that have regular contact with tribes; and state agencies to submit annual reports to the Governor and the Commission on their activities with tribes.

Revenue Sources and Relationships

The agency is almost entirely supported by General Fund. The budget receives a small amount of Other Funds revenue from registration and other fees derived from the sponsorship of special meetings. This revenue is used to support the associated meeting costs.

Budget Environment

Salaries for the agency's full-time staff and Commission member travel are the primary costs in this budget. The Commission holds regular quarterly meetings and special meetings at the call of the Chair. It advises the legislative and executive branches on ways to improve communication and coordination with tribes to avoid unnecessary court disputes and highlight shared interests. The Commission reports that governmental (federal, state, and local) and non-governmental entities increasingly rely on the Commission for technical and coordination services.

The Commission is also receiving an increasing number of requests to provide training for effective government-to-government relationships; conduct meetings with agencies and their tribal counterparts by program and issue area; answer questions from various state agencies on how to establish and maintain effective relationships with tribes; and discuss various points of law and strategies. Tribal-initiated activities related to their various programs and significant events have also increased.

In addition, LCIS received funding in its 2021-23 budget to establish a permanent full-time State Physical Anthropologist position. This position is responsible for enhancing government-to-government relations, assisting with the proper recovery and transfer of ancestral remains and cultural objects, and providing recommendations on archaeological permit applications and fieldwork methodologies, among other activities. The work of this position requires extensive in-state travel and an expanded use of services and supplies beyond the scope previously needed within LCIS. As the work of this position evolves, the agency's ongoing services and supplies budget may need to be re-evaluated to ensure the position can effectively conduct its responsibilities.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Commission on Indian Services totals $1.2 million and includes three positions (3.00 FTE). The budget is $316,514, or 34.3%, higher than the 2021-23 legislatively approved budget. Most of this increase results from recognizing the full biennial salary costs of the State Physical Anthropologist position established in 2021-23, as well as the cost of reclassifying the position to sufficiently reflect its workload and level of responsibilities, which are greater than initially assumed. In addition, a one-time increase of $15,000 General Fund supports the purchase of three curation cabinets to facilitate the repatriation of ancestral remains and reduce the need to temporarily transfer remains into the custody of the Oregon State Police and other law enforcement agencies.

EMERGENCY

BOARD

EMERGENCY BOARD

Analyst: Beitel

Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 Legislatively Adopted
General Fund	--	--	50,000,000	830,399,386
Total Funds	**--**	**--**	**$50,000,000**	**$830,399,386**

<u>Overview</u>

The Oregon Constitution authorizes the Legislature to establish a joint committee, known as the Emergency Board, to exercise certain powers during the interim period 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.

<u>Emergency Fund</u>

The Emergency Fund consists of General Fund appropriated to the Emergency Board for general purposes and special purpose appropriations made to the Emergency Board for specified uses. The Emergency Board allocates money from the Emergency Fund to finance contingencies that are not addressed in approved agency budgets. Appropriations are also made to the Emergency Board for allocation to agencies for specified purposes. This is done in lieu of a direct appropriation to an agency when additional information is required, or conditions need to be met, prior to making the funds available.

Recent History of the Emergency Fund ($ in millions)

	2017-19 Adopted	2017-19 Jan-19	2019-21 Adopted	2019-21 Jan-21	2021-23 Adopted	2021-23 Jan-23	2023-25 Adopted
General Purpose	50.0	57.3	75.0	88.5	50.0	77.1	50.0
Salary and Benefit Adjustment	110.0	-	220.0	-	218.0	-	450.0
Special Purpose Appropriations	18.8	-	45.8	219.1	493.3	-	330.4
Total Emergency Fund	**$178.8**	**$57.3**	**$340.8**	**$307.6**	**$761.3**	**$77.1**	**$830.4**

A common special purpose appropriation made to the Emergency Board each biennium is for financing general employee compensation increases (salaries and benefits). In recent history, resources set aside for salary and compensation changes of state employees are distributed either in the even-year session or by the Emergency Board's first meeting following the even-year session. This timing is typical since the full effect of collective bargaining agreements is not known until several months following the conclusion of the odd-year session. In addition, the Emergency Board does not usually meet during the first, shorter interim period and starts meeting on a quarterly basis following the even-year session.

During the even-year session, the Legislature often takes actions affecting the Emergency Fund, including supplementing the legislatively adopted general purpose Emergency Fund, distributing existing special purpose appropriations to the identified agencies, or creating new special purpose appropriations for the balance of the biennial period. During the odd-year session, the Legislature generally disappropriates any remaining funds in the existing biennium's Emergency Fund to help rebalance the budget and/or use as part of the next biennium's budget. This disappropriation generally occurs within the first few months of the longer odd-year session. For example, the 2021-23 Emergency Fund's balance was $77.1 million as of January 2023. This amount became available for use in the 2023-25 legislatively adopted budget upon being disappropriated in HB 5045, which was signed into law on April 6, 2023.

Budget Environment

Prior to 2017-19, the typical general purpose appropriation had been $30 million, with unused special purpose appropriations augmenting the general purpose Emergency Fund. In recent years the Legislature has adopted larger general purpose appropriations for emergency purposes. The 2017-19 legislatively adopted budget included $50 million due to concerns over the potential for large wildfire costs and uncertainty around particular federal funding streams. The 2019-21 adopted budget included a $75 million general purpose appropriation, which was increased twice during 2020 to address potential costs related to the COVID-19 pandemic, wildfires, and economic uncertainty, as well as ensure some level of funding capacity until the Legislature could address budget issues during the 2021 regular session. The 2021-23 and 2023-25 legislatively adopted budgets included general purpose appropriations of $50 million, although each also included higher numbers and levels of special purpose appropriations compared to prior biennia.

Historically, the actual cost of salary and benefit increases has traditionally exceeded the amounts appropriated to the Emergency Board for this purpose by large sums. However, from 2013-15 through 2021-23, the Legislature has funded special purpose appropriations to cover a significant portion of compensation and benefit adjustments. For instance, the 2019-21 amount covered approximately 97% of the statewide General Fund costs for that biennium and the 2021-23 amount covered 99%. The level of funding appropriated to the Emergency Board for employee compensation changes has increased significantly in recent biennia, which is generally consistent with the state's financial position and inflationary trends. From 2017-19 to 2023-23, the amount more than quadrupled from $110 million to $450 million. In addition to cost-of-living adjustments (COLA) and other commonly bargained personal services changes, the 2023-25 amount includes $120 million to address state employee retention and recruitment challenges. The bargained agreements leveraged this component for one-time lump sum COLA payments of $1,500 per employee.

Legislatively Adopted Budget

The 2023-25 legislatively adopted budget for the Emergency Board includes appropriations totaling $830.4 million General Fund. Most of these appropriations are established in the end-of-session budget reconciliation measure (SB 5506), with four established in individual agency budget measures. Of the total amount, $50 million is appropriated for general purposes and $780.4 million is appropriated for 19 different special purposes. The special purpose appropriations include the following:

- $330 million for state employee compensation plan changes.
- $120 million for additional compensation changes to support state employee recruitment and retention.
- $75 million for compensation changes driven by collective bargaining for workers who are not state employees, including personal support workers, home care workers, and adult foster care providers.
- $50 million for allocation to the Oregon Business Development Department for the Oregon CHIPS Fund.
- $50 million for changes in the Department of Human Services and Oregon Health Authority caseload levels.
- $39 million for the Housing and Community Services Department to pay for long-term rental assistance.
- $35 million for natural disaster prevention, preparedness, response, and recovery.
- $18.7 million for the Higher Education Coordinating Commission to award grants to Portland State University and Oregon's technical and regional universities to assist with long-term financial sustainability (HB 5025).
- $14 million for fire protection expenses incurred by the Department of Forestry (HB 5020).
- $8.9 million for the Department of Education to provide stipends to licensed educators and classified school employees working in special education during the 2024-25 school year.
- $8 million for the Department of Early Learning and Care to expand access to the Employment Related Day Care program.

- $7.6 million for allocation to the Department of State Police for issues related to firearm background checks.
- $6.2 million for expenses related to public defense.
- $5 million for the transfer of the Public Defense Services Commission to the executive branch.
- $5 million for the unrepresented defendants/persons crisis.
- $3 million for allocation to the Judicial Department for mandated payments and third-party collections (SB 5512).
- $3 million for the Public Defense Services Commission's adult trial and juvenile divisions caseload costs (SB 5532).
- $1 million for costs incurred by district attorneys for victim assistance, investigation, temporary staffing, and other one-time, non-routine prosecution expenses related to nonunanimous jury convictions.
- $1 million for nonunanimous jury convictions.

Special purpose appropriation amounts that remain unallocated by December 1, 2024 are available to the Emergency Board for any lawful use, including the original purpose.