ANALYSIS OF

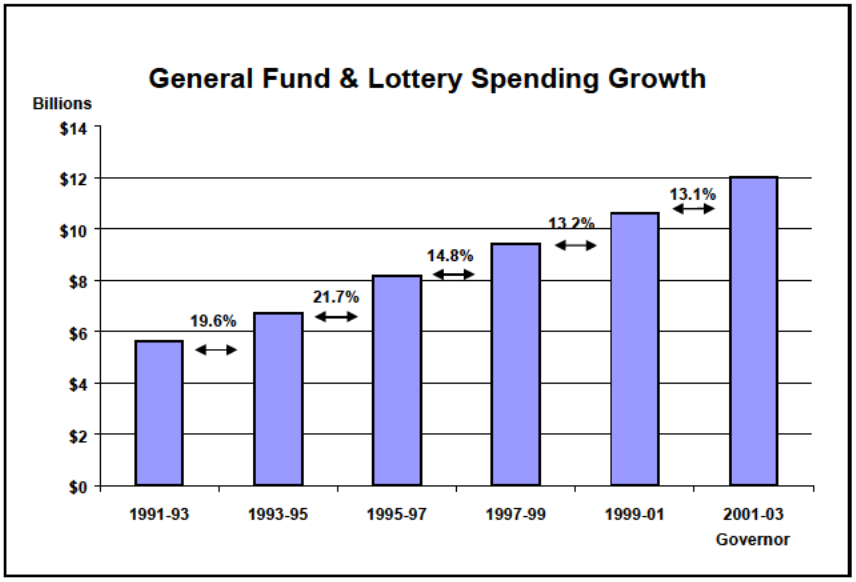
GOVERNOR'S 2001-03 BUDGET

Legislative
Fiscal
Office

TABLE OF CONTENTS

LFO Summary Analysis of Governor's 2001-03 Budget: General Fund and Lottery

A Decade of Budget Growth



Between 1991-93 and the Governor's proposed 2001-03 budget, General Fund and Lottery spending has increased $6.4 billion or nearly 114 percent. This represents an average of almost 16½ percent per biennium. Some would argue that this is evidence of out of control government spending. A closer look reveals government spending growth largely in direct response to the mandates of its voters. The single largest component, $4.1 billion of the $6.4 billion state budget growth, is not really growth but a shift from local property tax funding for K-12 education and community colleges to state income taxes as a result of Measure 5 (1990) and Measure 50 (1997). In addition, voters mandated tougher criminal offender sentencing (Measure 11, 1994) causing the prison population to nearly double and expenditures to grow by more than $230 million. In 1998, voters dedicated 15% of lottery proceeds to parks and salmon and stream restoration. This dedication contributed approximately $60 million in added spending for these natural resource programs. Also, during this time the Legislature enacted and voters ratified (Measure 44, 1996) expanded health care access through the Oregon Health Plan at a cost of almost $1 billion, including dedicated tobacco taxes.

During this decade, not only did expenditures grow rapidly, but revenues received in excess of estimates caused implementation of the surplus "kicker." A total of more than $1.1 billion was returned to Oregon taxpayers, and an additional $317 million is currently forecast to be returned in December 2001.

Current Service Level (CSL)

The calculated cost of maintaining existing programs in the ensuing biennium is called the Current Service Level (CSL). This calculation takes into consideration the effects of inflation, caseloads that are mandated by law to be served, the full biennial cost of expenditures that are begun and only partially funded in the course of the current biennium, and changes in the availability of non-General Fund resources used to finance mandated programs (fund shifts).

If all programs and services approved by the Legislature for 1999-01 were continued through 2001-03, General Fund and Lottery spending would have to be increased by $1.4 billion.

The table below identifies the major elements of the 2001-03 CSL budget estimate.

2001-03 Current Service Level Factors
(Dollars in Millions)

State Program CSL factors		
Salary rollup	154	
Inflation	315	
Mandatory Caseload	256	
Phase-in/out	37	
Fund Shift	84	
Debt Service	90	
Technical Adjustments	-4	
Emergency Fund	43	
State Program CSL growth		**$ 975**
K-12 School CSL factors		
Salary rollup	243	
Inflation	238	
Enrollment growth	87	
Phase in - adjust to 2000-01 base	125	
Fund Shift	-175	
Governor's undefined adjustment	-110	
K-12 School CSL growth		**$ 408**
Total Current Service Level Growth		**$ 1,383**

State Program CSL Factors:

Salary rollup – is the result of under-budgeting actual 1999-01 compensation increases ($40 million), anticipated step increases ($23 million), and the full biennial cost of phased-in 1999-01 compensation increases ($91 million).

Inflation – is the increased cost to purchase goods and services. Inflation costs on state employee salaries are not included in the CSL. Almost half ($126 million) of inflation costs are accounted for by the 61% increase in Oregon Health Plan prescription drugs.

Mandatory caseload – includes a 9% increase in prison inmates ($100 million), a 3% increase in Oregon Health Plan and a 17% increase in non-OHP enrollees ($59 million), a 12% increase in DHS Seniors' Long Term Care caseloads ($26 million), Mental Health and Developmental Disability Services client growth ($22 million), and a 12% increase in children's foster care and adoptions caseloads ($13 million).

Phase-in/out – is the net cost of programs initiated or expanded during 1999-01 and the elimination of one-time funding. Included in this category are: the addition of 114 State Police troopers for the final 6 months of 1999-01 ($5 million); mid-biennium implementation of the local juvenile crime prevention grants ($4 million); an April 2000 adjustment to Community Corrections (SB 1145) grants ($7 million); late-biennium expansion of the Healthy Start program ($3 million) and achievement of the target for PreKindergarten enrollment ($8 million); legislative provision for mid-biennium campus performance awards for OUS ($2 million); and expansion of the State Office for Services to Children and Families System of Care ($10 million).

Fund shift – represents the net cost to maintain programs with multiple fund sources. The federal Medicaid match rate was changed from 60.05% to 59.50% ($29 million) and Tobacco Tax revenue supporting the Oregon Health Plan is projected to decline ($10 million).

Debt service – is the increased cost to pay principal and interest on General Fund and Lottery supported debt. Payments on certificates of participation (COPs) for prison construction and Lottery backed revenue bonds for K-12 schools and economic development projects constitute the majority of this increase.

K-12 School CSL factors:

Salary rollup – is a new CSL factor for K-12 schools in the 2001-03 budget development process. It was included to acknowledge salary cost growth resulting from step increases. Because the state does not have a database of K-12 employee positions, the computed salary rollup for state employees was used for K-12 employees (2.8% per year). The Legislative Fiscal Office (LFO) believes that using the state employee rollup factor along with unique K-12 CSL factors overstates the true CSL cost.

Inflation – for K-12 schools, unlike state programs, includes an assumed inflation growth factor for employee salaries (2.6% for 2001-02 and 2% for 2002-03) as well as services and supplies (1.5% for 2001-02 and 1.9% for 2001-03).

Enrollment growth – is projected to be 0.8% in each year of the biennium.

Phase-in adjustment to 2000-01 base – represents the added cost to build the K-12 budget from the second year of the current biennium rather than the biennial total. This adjustment is not generally allowed for state programs.

Fund shift – for K-12 is a negative number representing decreased General Fund requirements resulting from increased estimates of local education resources, primarily property taxes.

Governor's undefined adjustment – is a $110 million adjustment that is shown as a reduction in the cost estimated to maintain the K-12 current service, but is also described by the Governor as a shift (cut) in spending from middle and secondary students to allow increased investment in primary student reading achievement. This adjustment might better be described as a partial correction for the salary rollup issue discussed above.

2001-03 Growth

In his 2001-03 budget, the Governor proposes spending nearly $1.4 billion more General Fund and Lottery than in the current biennium. While this additional spending would nearly support the estimated current service level growth, the Governor's budget proposes significant reductions to current programs in order to fund his priority enhancements. The table below shows agencies and programs with the most significant change from 1999-01 expenditures. Specific enhancements and reductions are outlined in subsequent sections.

2001-03 Spending Change by Program

General Fund & Lottery

($ in Millions)

K-12 Schools	513
Oregon Health Plan (OMAP)	230
Emergency Fund & Salary Reserve	130
Mental Health & Developmental Disability Services	127
Corrections & OYA	114
Education - Operations & grants	94
Children's Programs	40
Community Colleges	39
Judicial Department	37
Senior & Disabled Services	25
Oregon Watershed Enhancement Board	23
Economic Development	22
Alcohol & Drug Abuse Programs	21
Health Division	(4)
Legislative Branch	(4)
Oregon Health Sciences University	(7)
Adult and Family Services	(18)

Adds and Cuts

In the past, we have separately discussed the Governor's proposed additions and reductions. Intertwining of the Governor's recommended additions and reductions within many agencies requires a combined presentation in order to produce a clearer picture of the Governor's priorities. The following tables reflect the most significant additions and reductions by program area and agency.

The spending changes reflected in the previous table included only General Fund and Lottery spending. The Governor has proposed spending $149 million of proceeds received under the Master Settlement Agreement of 1998 between states and tobacco products manufacturers. A complete review of the Governor's proposed use of these funds is presented in a subsequent section. His recommended spending of the $149 million is included and identified by the use of bold font in the following tables of adds and cuts.

Adds and cuts are generally measured from the current service level.

Education Adds and Cuts

Education Adds and Cuts
($ in Millions)

Agency	Addition/Reduction	Adds	Cuts
Education Department	K-12 School Improvement Fund	110.0	
	K-12 School Fund - Tobacco Settlement	**110.0**	
	K-12 School database	10.5	
	PreKindergarten	5.9	
	K-12 local option equalization	5.0	
	K-12 low performing school assistance	3.5	
	K-12 dropout prevention	2.7	
	K-12 teacher mentor program	1.5	
	Regional special education programs		(6.3)
Community Colleges	Enrollment increase	45.0	
	Regional partnerships with OUS		(4.9)
	Skill & Tech Centers		(7.8)
Higher Education	Engineering education	20.0	
	Enrollment increase	17.0	
	Small school funding	8.0	
	Central Oregon programs	7.2	
	Statewide & campus public services		(21.1)
	Shift to tuition support		(25.2)
	Reduce Veterinary/Pharmacy funding		(2.8)
	Campus performance awards		(2.0)
	Research reduction		(10.0)
	Other reductions		(23.6)
OHSU	**Bond debt service - Tobacco Settlement**	**10.0**	
	Reduce current service level (undefined)		(10.0)
Student Assistance	Need Grants	1.5	
	Medical/Dental & community service vouchers		(0.1)

Human Services Adds and Cuts

Human Services Adds and Cuts

($ in Millions)

Agency	Addition/Reduction	Adds	Cuts
DHS - Director	Continue client tracking/payment systems	4.3	
	DHS agency reorganization		(4.0)
	Community Partnership, A bina & others		(1.6)
Adult & Family Services	Replace lost federal Welfare to Work funds	13.1	
	Eliminate/reduce JOBS Plus & JOBS		(13.1)
	Eliminate inflation		(11.0)
	Eliminate 13 year olds from Child Care		(5.2)
	Reduce field staff and administration		(6.1)
	Reduce Cash Assistance by $5/month		(3.1)
Alcohol & Drug	Oregon Children's Plan services to parents	10.5	
	Continue program expansion & rate restructure	9.2	
	Reduce training and provider reviews		(1.1)
Children & Families State Office for	Reduce System of Care costs		(9.8)
	Eliminate inflation except foster & adoption		(3.7)
	Eliminate caseload and service flexibility		(2.5)
	Reduce field office support		(1.3)
Health Plan	**FHIAP - Tobacco Settlement**	**22.0**	
	Add staff for fee-for-service claims	0.5	
	Management actions to reduce drug costs		(7.0)
	Reduce/eliminate Type-B hospital payments		(6.7)
	Reduce fee-for-service inflation by 50%		(2.2)
	Reduce Medicaid caseload (SCF & SDSD)		(3.0)
Health	**Tobacco prevention - Tobacco Settlement**	**7.0**	
	Database for minority health issues	0.5	
	Eliminate school based clinics		(2.5)
	Eliminate child fatality review & prenatal care		(1.1)
Mental Health & Developmental Disability Services	Serve "Wait list" clients (Staley v. Kitzhaber)	43.3	
	Oregon Children's Plan mental health services	3.5	
	Community alternative beds for children	4.0	
	Federal rule compliance on seclusion/restraint	2.2	
	Track patient and staff infections	2.4	
	Eliminate community program inflation		(4.2)
Senior & Disabled	Eliminate Oregon Project Independence		(13.7)
	Eliminate services to impairment levels 15-17		(9.6)
	Restructure community based care rates		(6.1)
	Reduce field staff		(5.0)
	Reduce inflation for substitute homes		(1.9)
	Remove client tracking from information system		(1.0)
Vocational Rehab	Eliminate sheltered services program		(1.6)
	Eliminate GF above federal match		(0.7)
Children & Families State Commission on	Oregon Children's Plan 1st birth screening	18.8	
	Redirect Healthy/Great Start to birth screening	24.3	(24.3)
	Eliminate Student Retention Initiative grants		(1.6)
	Eliminate Family Resource & Court services		(1.6)
	Reduce Family Preservation & Support grants		(2.5)
	Reduce Juvenile Services grants		(5.5)

Public Safety Adds and Cuts

Public Safety Adds and Cuts
($ in Millions)

Agency	Addition/Reduction	Adds	Cuts
Corrections	Delayed prison construction and operation		(27.0)
	Reduced correctional programs		(11.6)
	Reduced inmate activities/exercise yard		(5.0)
	Other reductions		(20.9)
Oregon Youth Authority	Psychiatric nurse coverage	1.4	
	Reduce 150 Youth accountability beds		(12.8)
	Reduced parole and probation services		(1.0)
	Eliminate Multnomah gang intervention		(3.4)
	Other reductions		(5.6)
Oregon State Police	Eliminate 140 positions		(12.8)
	Other reductions		(3.5)
Justice Department	Criminal appeals (fund shift from hourly fee)	3.5	
Judicial Department	Reduce current service level (undefined)		(14.8)
	Eliminate all policy packages		(72.0)
Criminal Justice Comm	Reduce phase-in of Juvenile Crime grants		(2.0)

Natural Resource Adds and Cuts

Natural Resource Adds and Cuts
($ in Millions)

Agency	Addition/Reduction	Adds	Cuts
Agriculture	Agriculture/tourism marketing program	1.4	
	Pesticide Use reporting/SB 1010 monitoring	0.8	
	County Fairs		(3.0)
	Shellfish, predator control, and other		(0.6)
Environmental Quality	Continue Willamette Basin TMDL	1.5	
	Hazard Waste reduced for Water Quality	0.9	(0.9)
	Reduce services & supplies		(0.5)
Energy	Continue OMSI loan support	1.4	
Fish & Wildlife	Cover fee shortage & 1999-01 "one-times"	3.4	
	Hatchery operation & maintenance and other		(1.7)
Forestry	Riparian specialists	0.3	
	Shift Forest Health program to Harvest Tax		(0.7)
OWEB	Enhancements funded by Measure 66 funds	4.8	
Parks & Recreation	Enhancements funded by Measure 66 funds	2.2	
Water Resources	Continue Klamath adjudication & ground water	1.0	
	Reduce positions and services & supplies		(1.0)
Various	Shift Community Solutions to General Fund	1.5	

All Other Adds and Cuts

All Other Adds and Cuts
($ in Millions)

Agency	Addition/Reduction	Adds	Cuts
Administrative Services	World Affairs Council & Cultural Task Force	0.3	
	Workforce, Natural Resource, and Health	0.4	
	Statewide sustainability coordinator	0.3	
	Reduce positions and services & supplies		(0.6)
Bureau of Labor	Replace Worker Comp civil rights funds	0.5	
	Reduce positions		(1.3)
Economic Development	Agriculture/tourism marketing program	1.7	
	Debt service on $225 million Lottery bonds	5.9	
	Shift costs from Lottery to revolving fd. interest		(3.5)
	Reduce Community Devel & International funds		(1.3)
Legislative Branch	Reduce current service level (undefined)		(1.3)
	Eliminate all policy packages		(5.6)
Revenue	Tax compliance packages	4.9	
	Reduce positions for process efficiencies		(4.7)
Secretary of State	Reduce current service level (undefined)		(0.3)
	Eliminate all policy packages		(2.0)
State Fair	Replace revenue shortfall	0.8	
Transportation	Reduce senior & disabled transportation		(0.9)
	Reduce Amtrak motorcoach service		(0.9)

Taxes, Fees, Lottery Bonds, and Tobacco Settlement Funds

Taxes - The Governor's budget assumes extension of the 10¢ per pack cigarette tax surcharge that would otherwise sunset on January 1, 2002. Extending the tax produces $36.1 million that is used to maintain Oregon Health Plan services.

Fees – The Governor proposes several fee increases relating to General Fund spending. After several biennia of frozen higher education tuition fees, the Governor proposes an increase of 4% per year raising $25.2 million. The budget assumes removal of a sunset on fee increases on hunting and fishing licenses and tags producing $4.6 million. DEQ fee increases are also proposed. A 28% increase in air quality permit fees and a 58% increase in water quality permit fees raises $4.1 million.

Lottery Bonds – In the past two biennia, the majority of approved Lottery bond issuance has enhanced K-12 education spending. The Governor recommends 2001-03 issuance of $268 million, all remaining available capacity, for the following: economic development infrastructure loans and grants, $196.4 million; Columbia River dredging and enhancements, $28.8 million; DEQ matching funds for sewer projects, $9.1 million; and Housing Incentive Fund, $34.3 million.

Tobacco Settlement Funds – A total of $348 million is available from the Master Settlement Agreement of 1998 between states and tobacco products manufacturers. The Governor proposes: $110 million to the K-12 School Improvement Fund; $7 million for tobacco use reduction effort; $22 million for FHIAP health insurance; $10 million for OHSU bond debt service; $99.2 million transfer to the General Fund for an ending balance; and $100 million reserved in a Health Care Trust Fund.

Budget Risks

The Governor's budget is accompanied by a number of budgetary or financial risks.

- The December 2000 economic forecast, which is the basis for 2001-03 projected revenues, anticipates growth but at reduced rates from prior years. While this "slow-growth" scenario remains most likely to occur, recent national economic indicators are beginning to suggest the growing probability of alternate recession scenarios. The occurrence of a recession would cause a drop in assumed revenues.
- The budget proposes a General Fund ending balance of only $100.8 million. Nearly all of this balance ($99.2 million) is achieved by transferring a portion of Tobacco Settlement funds to the General Fund. While this balance is larger than that proposed by the Governor or adopted by the Legislature in 1999, it is still less than one percent of estimated General Fund revenues. Bond rating agencies and best practices suggest a balance between two and two and a half percent of revenues. Application of this standard would require a balance of $220 to $280 million. The potential for an economic downturn adds to the importance of leaving an adequate ending balance.
- The recommended budget provides an Emergency Fund of only $30 million. The Governor proposes that several known or potential contingencies be addressed within his recommended Emergency Fund appropriations:

  1) Measure 7 (2000) requires payment to landowners if government regulation reduces their property value. Implementation of this measure has been halted pending legal challenges. If implemented, unknown costs would be incurred for legal services and administration, let alone compensation for the reduced property value.

  2) Measure 99 (2000) constitutionally creates a new state agency, the Home Care Commission, to ensure high-quality home care services for elderly and disabled persons receiving publicly-funded personal care. The 2001-03 cost of establishing this agency is estimated at $1 million. Establishment of this agency will also likely lead to the creation of a labor organization of home health care workers. This could also result in significant unbudgeted costs.

  3) Under the Young v. Oregon court decision, certain exempt state employees have been determined to be eligible to make claims for overtime worked for the period June 1995 to August 1997. Because the claims process was only recently initiated, the total amount of claims and the potential for 2001-03 claim liability are not known.

- The Governor 's budget is based on "no-flex" estimates of human services caseloads. Elimination of caseload contingency from agency budgets, combined with the Governor's recommendation for a minimal Emergency Fund, leaves little ability to respond to unanticipated caseload growth that might be experienced during 2001-03.
- Prior to 1999, Governors' recommended budgets always accommodated the entire agency request for agencies exempt from the Governor's budget review (Legislative and Judicial Branches, State Treasurer, and Secretary of State). The 2001-03 Governor's recommended budget, while making no specific program recommendations, funds these agencies at $16.4 million less than the current service level. In addition, exempt agency policy package budget requests totaling $84 million are also not funded in the Governor's recommended budget. The majority of the unfunded requests are in the Judicial Department budget ($76.3 million).

Budget Opportunity

At this time, there appear to be few identified opportunities left to the Legislature in the 2001-03 budget.

The Governor did leave $100 million of the total $348 million available Tobacco Settlement funds in a Health Care Trust Fund. Since no Tobacco Settlement funds were expended in the 1999-01 budget, the $348 million currently available represents four years of Settlement receipts. Spending of any additional Settlement funds cannot be sustained from anticipated future receipts.

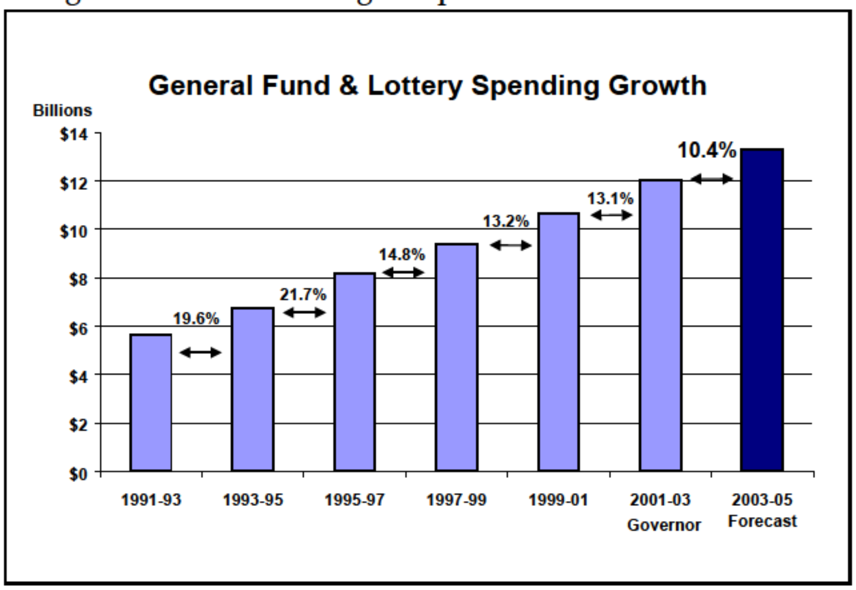
In recent biennia, revised revenue forecasts during legislative budget deliberations have produced additional revenues for legislative budget priorities. Although this may occur with the May 2001 forecast, there is the very real possibility that the subsequent forecast may reflect a revenue reduction.

The Governor's budget proposes more than one-half billion dollars of program enhancements that present opportunity for legislative re-prioritization.

Budget Sustainability

Although external caseload and inflation forces cause most of the 2001-03 budget dilemma, some of the problem results from 1999-01 budget and budget execution decisions made with little consideration of future sustainability. Tax refund obligations to federal retirees were deferred; employee compensation increases were underfunded and delayed until late in the biennium; one-time revenue sources were utilized to fund on-going programs; debt spending required large increases in debt service; major programs were initiated mid- biennium; and many position establishments were delayed to the final six months of the biennium.

As seen in the graph below, the projected outlook for General Fund and Lottery revenue growth in 2003-05 is even less than estimated 2001-03 growth. General Fund and Lottery resources are projected to grow by only 10% compared to 13% for this current budget. If the factors contributing to 2001-03 budget growth (caseload and medical inflation) continue into 2003-05, the resulting budget gap will be significantly more dramatic than currently faced. This will make it more important than ever, that 2001-03 budget decisions not contribute added obligations to 2003-05 budget requirements.



Some provisions of the Governor's 2001-03 budget may challenge future budget sustainability. The Governor proposes issuance of all remaining Lottery bond capacity. The bond issuance timing will substantially increase 2003-05 debt service. Providing phased-in universal access to community services for the developmentally disabled (Staley v. Kitzhaber) will increase future budgets. The $10 million Tobacco Settlement allocation to OHSU represents only one year of debt service on a multiple biennium commitment. Also, new prison openings have been delayed several months to push their costs beyond the 2001-03 biennium and one-time revenues are used for 2001-03 debt service.

EDUCATION

Department of Community Colleges & Workforce Development (CCWD) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	398,253,205	435,671,037	442,119,059	474,438,058
Other Funds	6,920,152	11,072,313	11,386,334	11,374,303
Federal Funds	80,989,515	114,686,652	116,466,042	111,693,680
Total	**486,162,872**	**561,430,002**	**569,971,435**	**597,506,041**
Positions (FTE)	37.78	41.70	41.70	43.40

The Department of Community Colleges and Workforce Development's (CCWD) mission is to provide leadership and technical assistance to, and to coordinate the work of, Oregon's seventeen community colleges. The agency's role has expanded as a result of the increasing level of state support to community colleges. The agency has responsibility for monitoring the programs, services, outcomes and effectiveness of local community colleges and for reporting to the Legislative Assembly. Direct state support to community colleges is also funded in the Department's budget, primarily through the Community College Support Fund (CCSF).

The agency also coordinates and provides statewide administration of the federally-funded Workforce Investment Act (WIA) [formerly, Job Training Partnership Act], Adult Basic Education (ABE), Even Start Family Literacy, and AmeriCorps volunteer programs. The Department also houses the Oregon Youth Conservation Corps. In 1999, responding to the broadening activity of the agency beyond community colleges, the Legislature changed the agency's name to the Department of Community Colleges and Workforce Development. Formerly, it was called the Office of Community College Services.

The WIA provides services to dislocated workers, youth employment training programs, and other workforce training programs for adults. These programs help workers obtain new skills to become more employable, improve their earnings, and decrease welfare dependency. CCWD retains a small portion of WIA funds for administration, but distributes the bulk of the funds to workforce investment boards and service providers in the state's seven local service delivery areas. The Adult Basic Education funds are provided through the WIA, but ABE remains a separate program. The Federal Funds support developmental education for adults, and are distributed to community colleges and other community-based organizations. Even Start Family Literacy finances family-centered literacy programs that target both children and their parents. The AmeriCorps program supports community service programs in the areas of health, environment, human needs, and housing.

Revenue Sources and Relationships

The agency projects Federal Fund receipts of almost $112 million in the 2001-03 biennium. About $101 million of this total is for WIA programs. The remainder includes $8 million for Adult Basic Education programs and $2 million for the Even Start Family Literacy program. Federal Funds are projected to be essentially flat at the prior biennium level, although projecting these revenues is difficult.

The agency also projects $11.4 million of Other Funds revenue in the 2001-03 biennium. Most of these Other Funds are from the federal government, but are characterized as Other Funds because they are transferred to CCWD through the Department of Education. Carl Perkins funds of $6.7 million are transferred to community colleges to support Professional Technical programs. The remaining Other Funds include $1.8 million of timber privilege taxes distributed to community colleges, $1.4 million of Amusement Device Tax and other receipts of the Oregon Youth Conservation Corps, and fees for services in the General Educational Development (GED) and Tracking Outcomes for Programs and Students (TOPS) System programs.

CCWD – Office Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,174,075	2,120,096	2,293,651	2,681,086
Other Funds	800,814	1,567,457	1,595,028	1,682,997
Federal Funds	4,149,833	5,057,436	5,836,523	5,933,493
Total	**7,124,722**	**8,744,989**	**9,725,202**	**10,297,576**
Positions (FTE)	35.78	36.70	36.70	40.40

Program Description

Office Operations funds the administration of the programs that the Department houses, with the exception of the AmeriCorps and the Oregon Youth Conservation Corps programs (their administrative costs are included in the Community Service Commission and OYCC program areas). The Department's administrative functions provide leadership and accountability for statewide policy development and provide assistance with local implementation. The agency works directly with Oregon's seventeen community colleges. The program manages the State Support to Community Colleges budget, and provides leadership in the development and delivery of college transfer and professional/technical course work, adult literacy education, and workforce development services. The agency also co-administers Carl D. Perkins Professional/Technical programs with the Department of Education, and the staff provides GED testing, Basic Adult Skills Inventory testing, statewide adult basic education, and course approvals.

Revenue Sources and Relationships

Other Funds in the Office Operations program include: fees from applicants for the General Education Development and Tracking Outcomes for Programs and Students System tests; charges to community colleges for the cost of copying Adult Basic Education curriculum materials and ABE summer conference fees; and funds from the Department of Education for Carl Perkins professional/technical program support. The Federal Funds dollars are those retained for administration of the federally-funded Workforce Investment Act (WIA), Adult Basic Education (ABE), Even Start Family Literacy programs. The agency retains 17.5% of ABE funds for administration and staff development activities, and 5% of Even Start Family Literacy funds for administration. Approximately 4% of WIA funds are retained for administration.

Governor's Budget

The Governor's budget adds four positions (3.70 FTE) in the distance learning and Even Start Family Literacy programs, and to support the Department's assessment and performance functions. Two positions (2 FTE) are funded from General Fund support in the base budget for distance learning. The Department currently contracts with Chemeketa Community College to administer the distance learning program. The Governor's budget would transfer the two Chemeketa employees to the Department. This is done without increasing General Fund. Instead, General Fund that is in the CCSF for paying Chemeketa is transferred to the Department's Office Operations to fund the personal service costs of the employees. The budget also would allow a contractor in the Even Start program to be hired, and would add a position to provide technical assistance to community colleges on the use the student assessment system. Both of these latter two positions are financed through a combination of Federal and Other Funds, and from savings realized by discontinuing the Even Start contract. The budget also reduces General Fund support for services and supplies by $10,000.

CCWD – State Support to Community Colleges

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	391,162,540	428,383,836	435,024,455	466,956,019
Other Funds	0	1,637,066	1,782,400	1,782,400
Total	**391,162,540**	**430,020,902**	**436,806,855**	**468,738,419**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

All funds in the State Support to Community Colleges program are transferred to the state's seventeen community colleges. The great majority of these funds – over 95% in the 1999-01 biennium – are transferred to colleges through the Community College Support Fund (CCSF). CCSF funds are mainly distributed to community colleges on an adjusted enrollment basis. (Some CCSF funds, however, support contracted out-of-district reimbursements, distance learning programs, the Central Oregon University Center, and other programs not funded on an enrollment basis.) Generally, colleges receive funding for their full-time equivalent (FTE) enrollments in Lower Division Collegiate, Professional Technical, Developmental Education, and Self-Improvement courses. Lower Division Collegiate courses parallel the offerings of the first two years of four-year institutions and carry regular college credit. Professional Technical courses generally lead to a certificate or associates 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. Self-Improvement courses aid in student self-development but do not lead to a degree.

State support funds are also distributed outside of the CCSF. The state supports three regional partnership programs with higher education, skill centers at six community colleges that focus on literacy assessment and training, and the Oregon Advanced Technology Center. Approximately $2.7 million of the total, for the Owen Sabin Skills Center of the North Clackamas School District, is distributed to a school district and not to a community college.

Revenue Sources and Relationships

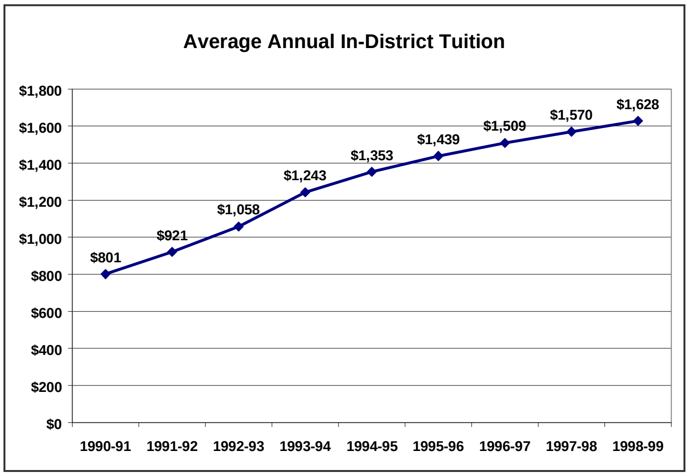
State support to community colleges is almost exclusively provided by the General Fund. In 1999, however, the Legislature changed the state's system of timber taxation. The new law eliminated the timber privilege tax distribution to community colleges and made this revenue a state resource. The law also requires that the state distribute a portion of the funds to the CCSF. The revenues did not appear in the state budget when community colleges collected the tax, since community college districts are not state agencies. Now, however, they do. This revenue is spent as Other Funds. All of the Other Funds in this program area are financed from this source.

Note that community colleges also collect property taxes that fund their operations. These taxes do not flow through the agency budget, however, and are not included in any budget figures identified here.

Budget Environment and Performance Measures

Community college services are affected by changes in the economy, community college tuition costs, and in the funding of and accessibility to the Oregon University System. Approximately 37% of Oregon high school graduates going on to post-secondary education attend an Oregon community college. This is higher than the 34% who enroll in the Oregon University System. The determinants of community college enrollment levels are more complex than for either K-12 enrollments or Oregon University System enrollments, however. Only 26% of community college students are in the traditional college age category of 18 to 25. Most students are older. Changes in the size of the 18-25 year-old population are less important than for higher education institutions.

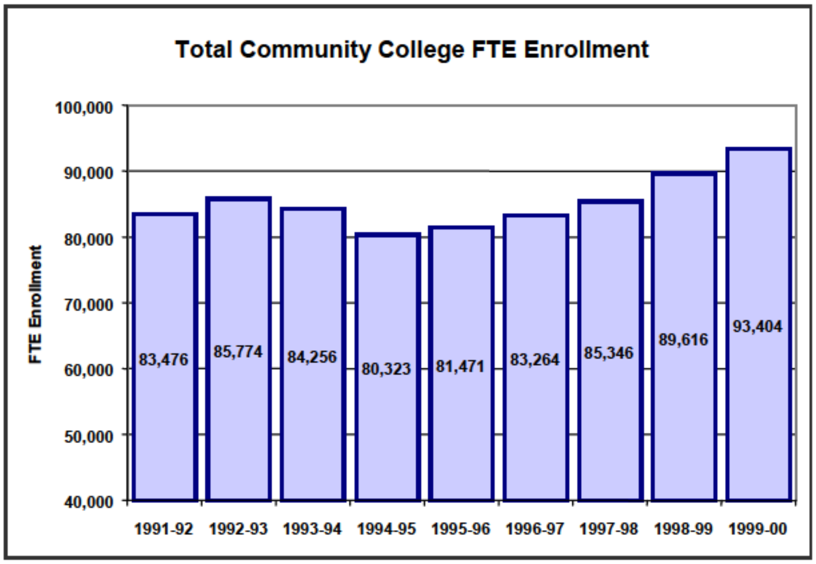
Many community college students are workers seeking retraining as the types of jobs that are available change, and graduating high school students seeking professional / technical education to become qualified for available jobs. Students may also seek an associate degree at a community college or choose to take lower division transfer courses preparatory to transfer to a four-year degree institution. As jobs become more technical and requirements for workers to have a high school diploma or GED increase, there is more demand for adult literacy service. All in all, demand for community college services is very sensitive to changes in economic conditions. Typically, demand had been counter-cyclical, falling during good economic times and rising during recessions.



Lately however, total enrollment has been growing even though the economy is doing well. On a full-time equivalent basis, enrollment has surpassed the previous peak attained in the 1992-93 academic year. Enrollment had declined due to a number of factors, including an improving economy that reduced the demand for many of the job retraining services that community colleges offer, and due to rapidly rising tuition rates. As Measure 5 affected community college property tax collections beginning in 1991, the state increased General Fund support to help offset this impact. Community colleges nonetheless had to raise tuition to continue service offerings. Average in-district tuition rates have doubled since Measure 5. For three years tuition increased at annual rates of 15% or higher. Even adjusting for inflation, tuition has increased over 60 percent. Recently, however, tuition increases have moderated and been below the rate of inflation.

Recently, enrollment growth has accelerated over the growth rates of the mid-1990s. Total enrollment on a full-time equivalent (FTE) basis increased 5% in 1998-99 and 4.2% in 1999-00. Part of this increased growth is the result of the expansion of community college services in Jackson, Klamath and Curry Counties. The agency projects that total enrollment will grow by 4% in 2000-01, and by 3% in both 2001-02 and 2002-03. During the interim, in 2000, the Emergency Board allocated $4.5 million to help address community college funding needs.

The Emergency Board hoped to address issues such as long course waiting lists that were developing with enrollment growth.



Another factor affecting community college funding needs is a change in the funding of students who live outside of a community college district. The total enrollment of these students is about 250 FTE per year. Oregon students who do not live in a community college district are excluded from a college's enrollment for purposes of the CCSF (although most out-of-state students are included). Instead, community colleges generally receive "contracted out-of-district" payments for serving these students. These payments are much lower on an FTE basis than the General Fund payments given for students that are counted in the formula.

In 1999 the Legislature passed SB 164, which requires, beginning with the 2001-03 biennium, that students that live outside of a community college district receive the same level of state support as other students. The bill makes this change contingent upon passage of a budget for the CCSF that fully funds the cost of increasing state support for these students from the current contracted out-of-district rate to the regular CCSF support level. The agency estimates this will cost $1.66 million in the 2001-03 biennium.

The Department has adopted a number of primary and secondary links to the Oregon Benchmarks. It has primary links to benchmarks on the percentage of adults attaining a baccalaureate degree, the percentage who have completed high school or an equivalent program, the percentage who have completed some college, the percentage who have completed an associate degree in professional technical education, the percentage with intermediate literacy skills, and the percentage of the labor force receiving at least 20 hours of skills training per year. Most of these benchmarks are addressed through state-funded programs, although some are also addressed though federally-funded or fee-funded programs. The services to address these benchmarks are provided through community colleges' profession technical programs, developmental education programs, and lower division transfer programs. Secondary links are to various benchmarks relating to economic performance, skill development, and civic engagement.

Governor's Budget

The Governor's budget increases the General Fund contribution to the Community College Support Fund, and reduces or eliminates General Fund support for a variety of other programs. The budget adds $45 million to the CCSF in excess of the current service level to help support the costs associated with enrollment growth. The current service level calculation for community college funding does not, by definition, include any adjustments directly related to enrollment changes. The budget does not include any funds to implement SB 164. Therefore, SB 164 would not become operative, and students living outside of a community college district would continue to be financed on a contracted out-of-district basis.

The budget also contains a number of General Fund reductions. The budget *eliminates* General Fund support for:

- ***Community College Skill Centers ($3.4 million reduction).*** There are currently skill centers at six community colleges: Portland, Southwestern Oregon, Blue Mountain, Central Oregon, Chemeketa, and Rogue. These centers, which strive to offer flexible services, offer programs in lifeskills and workplace readiness training, and help clients with job search techniques. The centers use a case management model and offer clients various support services. The centers serve youth, unemployed and underemployed workers, and retired workers.
- ***Oregon Advanced Technology Centers (OATC) ($2 million reduction).*** The OATC program is charged in statute to assist Oregon manufacturers in adopting and implementing modern manufacturing technologies and processes. OATC provides advanced technical training and provides opportunities for manufacturers

to test new equipment. The OATC also receives funds from Clackamas Community College and from businesses that use its services.

- ***Apprenticeship Contracts ($365,000 reduction).*** Four apprenticeship programs operate at Clatsop, Linn-Benton, Portland and Rogue Community Colleges. The contract moneys are in addition to what the colleges receive from the CCSF for enrollments in these programs. The budget eliminates the additional support above the enrollment-based funds.
- ***Central Oregon University Center (COUC) ($277,000 reduction).*** COUC – a collaborative effort of the Department, the Oregon University System, and Central Oregon Community College – works to bring undergraduate and Master level degree programs to Central Oregon, and provides support services to providers and students. The Governor's budget also eliminates support for the COUC in the Oregon University System's budget and provides $7.2 million in that budget to support establishment of an OUS branch campus in Bend.

The budget ***reduces*** General Fund support for:

- ***Regional Partnerships with Higher Education ($4.9 million reduction).*** These partnerships support three collaborative efforts between community colleges and higher education institutions to deliver post-secondary education programs. The partnerships include the Eastern Oregon Collaborative Colleges Center, a partnership of Blue Mountain and Treasure Valley Community Colleges and Eastern Oregon University; the Southern Oregon Cooperative Agreement, a partnership of Rogue Community College and Southern Oregon University; and the South Central Oregon Higher Education Partnership, a partnership of Klamath Community College and the Oregon Institute of Technology. The $4.9 million represents an 80% reduction from the current service level.
- ***Sabin Skills Center of the North Clackamas School District ($1.7 million reduction).*** Although traditionally funded through the Department's budget, these funds actually support a school district program. The Sabin Center offers high school students programs in Information Technology, Business and Management, Arts and Communication, and other programs. The budget phases out state support of the Center through a 50% reduction in the first year and a 75% reduction in the second year of the biennium. General Fund currently covers about one-third of the Center's budget, with the remainder coming from the school districts served.

These General Fund reductions total approximately $12.7 million, leaving a net increase in state support to community colleges of $32.3 million above the current service level. This funding is 7.3% above the current service level and a net 9% increase over the prior biennium. None of the reductions in the budget affect the funds that are distributed on an FTE basis through the CCSF, however. Looking just at these funds, the Governor's $45 million funding enhancement is a 10.8% increase over the current service level and a 12.7% increase over the prior biennium. The funding level will not, however, support as broad of a program enhancement as the 10.8% figure might suggest. The current service level calculation does not take into account the $4.5 million that the Emergency Board allocated for enrollment growth in 2000. These funds allowed community colleges to expand their budgets for the 2000-01 academic year, and thereby increased the ongoing cost to maintain community college services. Including the Emergency Board allocations reduces the effective increase above current service level to an estimated 8.4%, for FTE funding in the CCSF.

CCWD – Federal/Other Support to Community Colleges

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	6,119,338	6,312,478	6,296,890	6,296,890
Federal Funds	74,013,471	104,917,197	105,760,187	105,760,187
Total	**80,132,809**	**111,229,675**	**112,057,077**	**112,057,077**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This program area includes Federal and Other Funds that are not spent at the agency but that are transferred to community colleges, workforce investment boards and service providers, and family literacy service providers. Federal Funds support the Workforce Investment Act (WIA), Adult Basic Education (ABE), and Even Start Family Literacy programs. Other Funds are Carl Perkins Technical and Applied Technology Act monies that are transferred to support community college professional technical programs. The federal government is the ultimate source of these funds, but the agency receives them as Other Funds because they are transferred to it through the state's Office of Professional Technical Education.

The WIA provides services to dislocated workers, youth employment training programs, and other workforce training programs for adults. These programs help workers obtain new skills to become more employable, improve their earnings, and decrease welfare dependency. WIA programs serve approximately 30,000 people each biennium. CCWD retains a small portion of WIA funds for administration, but distributes the bulk of the funds to workforce investment boards and service providers in the state's seven local service delivery areas. The Adult Basic Education funds are provided through the WIA, but ABE remains a separate program. The Federal Funds support developmental education for adults, and are distributed to community colleges and other community-based organizations. Even Start Family Literacy finances family-centered literacy programs that target both children and their parents.

Budget Environment and Performance Measures

Federal support for these programs has grown in recent years. Changes in the economy increase the need for the services these programs provide, even if the economy as a whole is growing. The programs assist workers in upgrading their skills to meet the needs of a changing labor market.

Performance measures for these programs are established in collaboration with the U.S. Department of Labor. Oregon's performance exceeds the minimum standard for every performance measure. Some of these performance measures include: the percentage of youth served who were hired and working and the percentage whose employability was enhanced, the rates at which adult participants were placed in jobs and employed, and the earning levels of adult and dislocated workers.

Governor's Budget

The Governor's budget funds these programs at the current service level. Because these programs are financed exclusively by the Federal government, the current service level is defined to be simply the same as the projected level of available funding. Thus the Governor's budget allows all available funds to be spent. The budget projects that funding will increase by less than 1% above the prior biennium level. It is difficult to know now, however, what the eventual biennial funding for these programs will be. In recent biennia, the Emergency Board has increased the Federal Funds expenditure limitation substantially as federal program funding increases became known.

CCWD – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,916,590	4,733,427	4,352,085	4,352,085
Total	**4,916,590**	**4,733,427**	**4,352,085**	**4,352,085**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This program pays the principle and interest on general obligation bonds issued under Article XI-G of the state Constitution for community college capital construction projects. The Legislature has not authorized new Article XI-G bonds for community colleges since the 1979 Session. Debt service requirements are declining as the existing bonds are paid off.

Governor's Budget

The Governor's budget fully funds this program.

CCWD – Community Service Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	0	0	100,000	0
Federal Funds	2,826,211	4,712,019	4,869,332	0
Total	**2,826,211**	**4,712,019**	**4,969,332**	**0**
Positions (FTE)	2.00	2.00	2.00	0.00

Program Description

The Oregon Community Service Commission administers a number of federal programs funded through the Corporation for National Service. The AmeriCorps program is the largest of these. This program is intended to foster a sense of community and service by funding volunteer projects. Participants receive a small living stipend roughly equivalent to the federal minimum wage, and are entitled to $4,725 of tuition assistance at a community college or four-year institution for each year of service. A participant can stay in the program for no more than two years. The program is primarily funded with Federal Funds. The Commission staff is housed at Portland State University.

Governor's Budget

The Governor's budget transfers the Community Service Commission to the Oregon Housing and Community Services Department (HCSD). There are no funds in the 2001-03 CCWD budget for the Commission. The budget supports the Commission at the current service level of funding and staffing in the HCSD budget.

The Commission has been housed with the CCWD since Oregon's AmeriCorps program was implemented in 1993. This transfer of the program to HCSD is supported by the Commission itself, by the State Board of Education, and by the staff of both CCWD and HCSD. All believe that the Commission's programs find a more natural fit within the mission and functions of HCSD.

CCWD – Oregon Youth Conservation Corps

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	433,678	448,868	448,868
Other Funds	0	1,555,312	1,612,016	1,612,016
Total	**0**	**1,988,990**	**2,060,884**	**2,060,884**
Positions (FTE)	0.00	3.00	3.00	3.00

Program Description

The Oregon Youth Conservation Corps (OYCC) was established in 1987. The Legislature, at the Governor's request, moved the OYCC from the State Commission on Children and Families to the Department of Community Colleges and Workforce Development in 1999. OYCC provides education, training, and employment opportunities based on conservation efforts to disadvantaged and at-risk youth ages 16 to 25. The OYCC has created a private nonprofit foundation, which allows private fundraising in support of its activities.

Revenue Sources and Relationships

Other Funds are primarily from the Amusement Device Tax. The Amusement Devise Tax is levied on the state's video lottery terminals. OYCC also receives transfers from other state agencies as Other Funds.

Governor's Budget

The Governor's budget supports the OYCC at the current service level.

Department of Education (ODE) – Agency Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,948,617,172	4,513,329,247	4,972,638,784	5,105,423,853
Lottery Funds	451,008,248	301,407,344	316,317,086	316,317,086
Other Funds	189,125,099	285,420,149	72,711,639	187,711,639
Federal Funds	499,110,528	589,396,453	603,880,530	603,880,530
Nonlimited	5,466,368	4,592,800	4,707,302	4,707,302
Total	**5,093,327,415**	**5,694,145,993**	**5,970,255,341**	**6,218,040,410**
Positions (FTE)	574.94	467.44	473.37	484.87

* *Adjusted for post-April 2000 Emergency Board actions.*

The State Board of Education and the State Superintendent of Public Instruction are responsible for implementing statewide standards for public schools; adopting rules for the general governance of public kindergartens, elementary and secondary schools; and making distributions from the State School Fund to districts that meet all legal requirements. The State Superintendent of Public Instruction is elected by the voters.

The Department of Education (ODE) is responsible, under federal and state laws, for administering special education programs, including services to disabled children from birth through age 21; pre-school programs; compensatory education programs; and vocational education programs. The Department's role generally is to provide curriculum development, monitoring, technical assistance and contract administration. Department staff provide direct educational services at the Schools for the Deaf and Blind and assist in the education program at the juvenile correctional institutions Hillcrest and MacLaren. About one-third of the total agency budget (excluding State School Fund) is spent for federally mandated programs. The other two-thirds is used for state-mandated or discretionary programs.

Overall, the Governor's budget is a 9.2% increase over 1999-01 estimated expenditures and a 4.2% increase over the current service level budget. The following are highlights of the Governor's budget:

- Increases the State School Fund to a total of $5.2 billion, including adjustments for student growth ($86.6 million) and inflation ($604.7 million, of which $561 million is for increases in personal services and $43.7 million for increases in other services and supplies);
- As part of the $5.2 billion, earmarks $220 million ($110 million General Fund and $110 million of tobacco settlement money) for a School Improvement Fund to target activities that will improve student performance, specifically K-5 literacy;
- Provides, out of the $5.2 billion, $10.5 million General Fund for a project to ensure the consistency and consolidation of data systems among schools and $5 million General Fund for grants to match local option revenues in eligible districts;
- Reduces Lottery Funds by $38 million from the State School Fund. This reduction reflects the decrease in lottery resources available for allocation after meeting statutory distribution requirements and debt service on lottery bonds. The reduction is offset by anticipated increases in local property taxes. The budget also reduces General Fund by $136 million in anticipation of increased local resources.
- Adds funds to address Oregon's school drop-out rate ($2.7 million General Fund), provide assistance to low-performing schools ($3.5 million General Fund), expand the Oregon PreKindergarten program ($5.9 million General Fund), and support teachers and administrators new to Oregon's K-12 schools through a mentor program ($1.5 million General Fund).

To balance the budget, the Governor reduces funding for regional programs by $5.5 million General Fund and for assessment activities in Department Operations by $695,000 General Fund. Additionally, funding for Together For Children in the Department's grant-in-aid program is transferred to the State Commission on Children and Families for support of the Oregon Children's Plan.

ODE – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	28,306,970	39,225,482	46,538,769	50,692,990
Other Funds	4,349,416	18,886,866	8,909,675	8,909,675
Federal Funds	19,764,933	31,317,110	32,898,407	32,898,407
Nonlimited	5,258,764	4,471,781	4,583,258	4,583,258
Total	**57,680,083**	**93,901,239**	**92,930,109**	**97,084,330**
Positions (FTE)	220.25	258.52	266.99	278.49

Program Description

Department Operations includes the overall leadership responsibilities and activities of the State Board and the Superintendent, administration of a variety of programs, and assistance to and review of local districts. The organizational structure of Operations includes several offices.

The ***Office of Instruction and State Board of Education*** provides support to the Board and oversees the offices providing instructional and support services to school districts. The ***Office of Educational Support Services*** provides technical assistance to school districts in areas such as business operations and school finance. It also provides ODE's internal support operations, including accounting, personnel and information services.

The ***Office of Professional Technical Education*** focuses on preparing high school students to enter the workforce or vocational programs at community colleges. Specific tasks include providing technical assistance to local education agencies, ensuring federal vocational education requirements are met locally, and designing the Certificate of Advanced Mastery (CAM). The CAM requires students to apply academic knowledge within the context of a career area.

The ***Office of Curriculum, Instruction, and Field Services*** provides leadership in implementing the Oregon Educational Act for the 21st Century, including development of common curriculum goals and academic content standards. Staff provide technical support to schools and complete site visits for school improvement in local school districts. This office also oversees the report card project mandated by Senate Bill 1329 (1999), which requires the Superintendent to issue annual performance reports ("report cards") on schools and school districts in Oregon. The ***Office of Assessment and Evaluation*** oversees testing of students at grades 3, 5, 8 and 10 on state content and performance standards. This office also publishes the *Oregon Report Card*, an annual status report on K-12 education.

The ***Office of Student Services*** directs efforts to help disadvantaged children meet standards. Programs managed by this office include compensatory education programs in local school districts, early childhood education programs (including Oregon Prekindergarten), and child nutrition programs. The Office monitors for compliance with federal law and provides technical assistance to school districts. Other programs include those addressing race and sex equity; drug and alcohol; health education; teen parents; and homeless students. The ***Office of Special Education*** administers special education programs and provides oversight and technical assistance to ensure compliance with federal requirements. This office also provides personnel development and contract administration for school district staff development and services.

Revenue Sources and Relationships

Other Funds revenues include indirect cost recovery from federal programs (50%), funds from Oregon Community College Services (OCCS) for professional/technical education services and administration (6%), fees for fingerprinting and background checks (18%), tuition protection fees from private vocational schools to reimburse students in case of closure of these schools (5%), fees for licensing private vocational schools (6%), textbook review fees (3%), and other miscellaneous fees (12%).

Nonlimited Funds are from registration fees that pay for related workshop and conference costs (approximately $321,000) and a School Lunch Revolving Fund for brokering surplus food for schools (approximately $4.2 million).

Major federal revenue sources include the Individuals with Disabilities Education Act (39%), the National School Lunch Program (14%), Title II Vocational Education Program (14%), and Title 1 for various compensatory education programs (10%).

Budget Environment and Performance Measures

A major focus of the Department is the implementation of the Oregon Educational Act for the 21st Century, Oregon's school reform legislation. A primary emphasis of the Department's reform effort is to help students master subject matter, demonstrate knowledge, and apply learning to new situations. To these ends, the State Board has adopted statewide Certificate of Initial Mastery standards.

In 1999, the first Certificates of Initial Mastery (CIM) were awarded to tenth graders successfully passing tests taken in Spring 1999 in English and mathematics. Science was added in 2000. The current implementation schedule calls for art to be added in 2002, second language in 2003, and social sciences and physical education in 2004. Students who fail the test are given an opportunity to take the test again. By a recent resolution of the State Board of Education, the CIM is available to students in grades 9-12, thereby removing the emphasis on grade 10 as the completion point.

Initial testing for the Certificate of Advanced Mastery, which is awarded in the context of a career area, began in 1999. The schedule for full implementation is under discussion with a target date of 2004-05 or 2005-06.

The student assessment system is a key component of the standards-based reform effort. The current testing system, however, is labor- and paper-intensive, creating additional demands on school staff and diverting time away from instruction. Additionally, test results have not been available on a timely basis to provide maximum benefit to the student. During the 1999-01 biennium, the Department received $3.5 million from the legislative Emergency Board to begin phasing in a project using available assessment software and an Internet-based delivery system. This project, called the Technology-Enhanced Student Assessment (TESA) system, will eventually replace the paper and pencil process, thereby reducing the turnaround time for test results as well as the workload associated with the current system. Beginning in January 2001, the Department will implement the first phase of the project, which will include 30 schools by the end of the 1999-01 biennium. Full implementation is planned for no later than 2005.

Staff continuity is important to the Department's leadership role in education reform. The Department reported to the 1999 Legislatively Assembly that 60% of its education specialists and managers had left ODE over the previous three years, primarily due to higher salaries for comparable positions in school districts. The 1999 Legislature provided funds for salary increases to improve retention. The Department's rate of employee turnover now appears be decreasing. The turnover rate for the period December 1, 1999 through November 30, 2000 was 5% for education program specialists and 9% for managers.

House Bill 3636, from the 1997 legislative session, directed the Department to update the school accounting system to allow comparison of expenditures among schools and districts and to place data in a database accessible to the public. In response, the Department initiated a pilot project with 15 school districts and one education service district to develop a database with relevant student performance indicators and to relate expenditures to academic content standards. The pilot project was completed in January 1999. Statewide implementation is scheduled for completion in January 2001. A recent audit by the Secretary of State's Audits Division reports that the Department needs to take certain steps to improve the quality and comparability of non-financial input data.

The agency-wide key performance measures include the following:

- Oregon School Report Card - Senate Bill 1329 (1999) mandates that the Superintendent of Public Instruction prepare and issue an annual performance report ("report card") on each school and school district in Oregon. Several components affect the rating, including student test scores, student behavior, and school characteristics. The first report cards were issued in February 2000. Ninety-six percent of schools were rated as "satisfactory," "strong," or "exceptional." The Department's goal is to have 100% of schools with a rating of "satisfactory" or higher within 5 years.
- Dropout report – The 1998-99 school dropout rate was 6.59% as compared to 5% nationally. The Department's goal is to decrease Oregon's rate to 4% within 4 years. Since 1992, the rate has not been less than 5.7%, peaking in 1995 at 7.4 percent.
- Database Initiative Project - The Department's goal for this project, which is described above, is to have all districts report accurately. The goal applies beginning with data for the 2001-02 school year.

Governor's Budget

The Governor's budget is a 3.4% increase over 1999-01 estimated expenditures and a 4.5% increase over the current service level. The current service level budget phased-out over $10 million Other Funds for costs of issuing lottery bonds in 1999-01 and for one-time funding from Senate Bill 622 (1999) proceeds for telecommunications connectivity for schools. The increase in General Fund support from 1999-01 estimated expenditure to the current service level includes the costs to phase in the technology-based student assessment system approved by the 1999-01 Emergency Board. Major packages in the Governor's recommended budget include:

- $3.5 million General Fund and 7 FTE for assistance to low-performing schools, as identified by the school's report card (by either a "low" or "unacceptable" rating);
- $718,184 General Fund and 2.5 FTE for a teacher/administrator mentor program, to support those new to Oregon schools with a goal of improving retention and improving teacher/administrator quality; and
- $670,000 General Fund and 2 FTE for dropout prevention and recovery strategies to address Oregon's school dropout rate of 6.59% (as of 1998-99).

The grant portions of the mentor and dropout prevention programs are contained in the Grant-in-Aid section of the budget.

Because of General Fund constraints, the budget is reduced by $694,885 General Fund in Operations. According to Department personnel, development of the student assessment system relating to science and social sciences will be curtailed. For example, annual updates of test bank questions for science will be eliminated and development of social science multiple choice questions will be put on hold.

ODE – Special Schools

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	14,286,942	14,811,056	16,200,903	16,725,903
Other Funds	2,792,831	3,336,148	3,035,187	3,035,187
Federal Funds	145,698	450,461	308,313	308,313
Nonlimited	207,604	121,019	124,044	124,044
Total	**17,433,075**	**18,718,684**	**19,668,447**	**20,193,447**
Positions (FTE)	167.68	163.38	163.38	163.38

Program Description

The School for the Blind (OSB), with 11 structures on a 7-acre campus, serves approximately 53 students who have visual impairments and educational needs beyond what a local school district or regional program can provide. Students range in age from 4 to 21 years. They generally have multiple disabilities that require intensive services and thus are referred to OSB by the local school district after a finding that needed local services are not available. OSB also provides summer programs and diagnostic services to about 290 students and provides consultation services to school districts, regional teachers, and others.

The School for the Deaf (OSD) is a residential/day program for 130 students who are hearing-impaired and cannot be served in the community. OSD provides academic and career education, living skill development, athletics, and leadership training. Enrollment has declined from 206 students in 1982-83 because students whose deafness was caused by rubella have now completed their education. OSD is made up of 19 structures on a 52-acre campus.

Revenue Sources and Relationships

Other Funds revenues are from County School Fund receipts for special education billings by the Department to individual counties (49%); donations (11%) (expended as Nonlimited Funds); transfers from the Commission for the Blind (9%); fees from local school districts for services provided to their students (6%); Medicaid reimbursements (6%); nutrition reimbursements (2%); and other miscellaneous sources (17%).

Federal Funds are from the Individuals with Disabilities Education Act (87%) and the Class Size Reduction Act (13%). Most of the funding for operating costs comes from the General Fund. Parents pay no tuition or room and board because of the federal requirement for a free and appropriate public education for every child.

Budget Environment

Enrollment at the OSB has been at about the same level since 1986. The Department is projecting a need to accommodate approximately 70 students in 2001-03, based on requests for services from school districts and regional programs. However, the ability of the OSB to meet this need is restricted by usable facilities and staffing.

Enrollment at the OSD has increased slightly, from 115 students in 1995-97 to 130 in 1999-01. The Department anticipates growth in enrollment to about 150 students for 2001-03, which it believes it can accommodate with existing staffing levels and facilities.

As discussed in the Grant-in-Aid section, the Governor's budget includes a reduction in funding for regional programs, which provide services to students with visual and hearing impairments. Reduced funding for the regional programs may result in an increased demand for services to be provided to these students through the OSB and the OSD.

Governor's Budget

The Governor's budget is a 7.9% increase over 1999-01 estimated expenditures and a 2.7% increase over the current service level. It essentially maintains services, with an addition of $525,000 General Fund to bring teacher salaries at the two schools in line with salaries for teachers of the blind and deaf in the Salem-Keizer School District.

ODE – Youth Corrections Education

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	470,194	0	0	0
Other Funds	18,190,585	21,018,203	20,910,091	25,910,091
Federal Funds	2,002,329	2,975,994	2,951,768	2,951,768
Total	**20,663,108**	**23,994,197**	**23,861,859**	**28,861,859**
Positions (FTE)	187.01	45.54	43.00	43.00

Program Description

ODE is responsible for ensuring that educational services are provided to children in the State's close custody facilities, including Hillcrest and MacLaren, youth work-study camps, and accountability camps ("boot camps"). The Department contracts with local education agencies to provide services to students.

Revenue Sources and Relationships

Funding for the juvenile corrections education program comes from the State School Fund and is reflected as Other Funds. For 1995-97, funding was set aside for the program with the remainder of the State School Fund distributed to local school districts through the normal distribution formula. The provision that set aside funding for the program sunsetted at the end of the 1995-97 biennium. The program now is treated as a separate school district with per student revenues distributed through the formula.

Federal funding is mainly from the Title 1 Neglected and Delinquent Program (62%), the Individuals with Disabilities Education Act (16%), and the Class Size Reduction Act (12%).

Budget Environment

The number of youths in juvenile corrections facilities is increasing mainly due to Measure 11, which took effect in April 1995. For any of 21 violent crimes, Measure 11 allows youths aged 15 to 17 to be tried as adults and mandates minimum sentences. Oregon law also allows juvenile offenders charged with other serious crimes to be remanded or "waived" to the adult system. The population of Measure 11 and waived inmates is expected to grow 4.5% in the 2001-03 biennium, from 331 at July 2001 to 346 by July 2003. The total close custody population forecast is projected to grow from 1,167 at July 2001 to 1,268 at July 2003, an 8.7% increase.

About 80% of the youths in juvenile facilities are eligible for special education services, which results in a double-weighting in the distribution formula. The education needs of the youths must be met for the most part in intensive, individualized services in small group settings.

Governor's Budget

The Governor's budget is a 20.3% increase over 1999-01 estimated expenditures and a 21% increase over the current service level. It adds $5 million Other Funds expenditure limitation to reflect the increased amounts to be received from the State School Fund, based on forecasts of students at the close custody facilities and camps in 2001-03. It should be noted that, while the Governor's budget eliminates 150 beds from the Oregon Youth Authority, the Youth Corrections Education Program expenditure limitation was not adjusted for this reduction.

ODE – Grant-in-Aid

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	159,509,236	187,780,418	212,213,056	214,818,904
Other Funds	13,575,434	16,895,240	14,706,845	14,706,845
Federal Funds	477,197,568	554,652,888	567,722,042	567,722,042
Total	**650,282,238**	**759,328,546**	**794,641,943**	**797,247,791**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The majority of the Department's Grant-in-Aid programs purchase educational services for students with specific educational needs. These programs are administered by school districts or entities other than state government. Grants are made for special student services, such as Oregon Prekindergarten, compensatory education, teen parent programs, and child nutrition services. They also include special education services provided by regional programs, Early Intervention and Early Childhood Special Education, and private agencies. Other programs include vocational and workforce development, school reform implementation, and expansion of technology.

Revenue Sources and Relationships

The Department receives substantial federal funding, mainly from the U.S. Departments of Education and Agriculture. Most of the funding is passed through to local school districts or contractors. The major federal sources for grant-in-aid programs (based on 1999-01 estimated revenues) are as follows:

Nutrition programs through the U.S. Dept. of Agriculture	$ 179,491,059
Local education programs under Title 1	$ 140,402,510
Individuals with Disabilities Education Act	$ 114,029,295
Title 1 migrant education	$ 24,142,824
Class Size Reduction Act	$ 23,722,874
Vocational education (Title IIA Basic)	$ 21,202,598
TOTAL	**$ 502,991,160**

Other Funds revenues come from County School Fund receipts for special education billings by the Department to individual counties (80%), state tobacco tax funds from the Oregon Health Division for tobacco education programs (15%), and federal funds from the Oregon Employment Department for the Teen Parent program (3%).

Budget Environment

In 1992, Oregon began implementing a state-operated program for children with disabilities from birth up to kindergarten age, known as Early Intervention / Early Childhood Special Education (EI / ECSE). At that time, the State came into compliance with federal PL 99-457 by providing mandated early childhood special education services to eligible children from ages three to kindergarten and following all federal special education regulations. Oregon also provides optional early intervention services to children with severe disabilities from birth to age three.

The program has been experiencing growth since its inception, both in the number of eligible children entering the program and in the increasingly high cost to serve a small portion (about 4%) of those children. Annual growth of 5% is expected to occur in 2001-03. The program serves about 2.8% of eligible children; nationally, programs serve, on average, about 3 percent. Effective September 1, 1998, EI / ECSE providers are able to access Medicaid for covered "related" services which, by federal law, must be provided to eligible children. As a result the Department has been able to reduce the need for General Fund support of the program by an estimated $2 million in 1999-01.

The Oregon Pre-Kindergarten Program, established in 1987 and modeled after the federal Head Start program, serves low-income three- and four-year-olds to foster their development and enhance their success in school. State and federal funds and services are coordinated to serve eligible children. State statute mandates that Oregon serve 50% of all eligible children by 1999 and 100% by June 2004. By the end of the 1999-01 biennium, the Department estimates it will be serving 50%, although the increase to this level will not occur until late in the biennium.

The Department is responsible for ensuring the education of children in day and residential mental health programs as well as hospital programs. The Department contracts with local school districts or educational service districts to provide education services. The number of children served in these programs has grown to 1,100 in 1999-01. Growth of 10% is expected in 2001-03.

Governor's Budget

The Governor's budget is a 5% increase over 1999-01 estimated expenditures. This increase includes $8.5 million General Fund for growth in mandated caseload for the EI/ECSE program and $10.4 million General Fund to continue serving 50% of all eligible children in the Oregon PreKindergarten program during 2001-03. Inflation in grant-in-aid programs accounts for $20.5 million ($6 million General Fund; $443,000 Other Funds; and $14.1 million Federal Funds). The budget also transfers in $2.3 million General Fund for the Oregon Public Education Network (O.P.E.N.), previously in the State School Fund budget structure. The budget is reduced $200,000 General Fund for anticipated Medicaid receipts for the EI/ECSE program.

The small increase over the current service level reflects reductions in certain grant-in-aid programs, in large part offsetting enhancements in the Governor's budget. These reductions include:

- $5.5 million General Fund in the current level of services for regional programs (the full impact of this reduction is not known, but it is anticipated services and, as a result, costs for certain children will be shifted to school districts); and
- $605,095 General Fund by eliminating the Together for Children program from the Department's budget (although the funding is transferred to the budget for the State Commission on Children and Families for resources for the Oregon Children's Plan).

The Governor's budget adds:

- $5.9 million General Fund for the Oregon Prekindergarten program to expand services to 60% of eligible children by the end of the 2001-03 biennium;
- $2.03 million General Fund for grants to schools for strategies to reduce Oregon's dropout rate; and
- $781,816 General Fund to support teachers and administrators new to Oregon's K-12 schools through a mentor program.

The following table shows the funding levels in the Governor's budget for specific grant-in-aid programs:

2001-03 Governor's Budget – Grant-in-Aid Programs *($ in millions)*

Program Name	General Fund	Other Funds	Federal Funds	Total Funds
Early Intervention/Early Childhood Special Ed	89.1	0.0	20.4	109.5
Oregon Pre-Kindergarten	63.9	0.0	0.0	63.9
Regional Programs	32.9	0.0	14.7	47.6
Long-Term Treatment & Hospital Programs	20.5	12.2	0.7	33.4
Nutrition Programs	0.0	0.0	182.7	182.7
Compensatory Education	0.0	0.0	181.4	181.4
Local & Other Special Education Programs	0.0	0.0	78.3	78.3
Class Size Reduction	0.0	0.0	23.8	23.8
Other Programs	8.4	2.5	65.7	76.6
TOTAL EXPENDITURES	**214.8**	**14.7**	**567.7**	**797.2**

ODE – State School Fund and Other K-12 Grants

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,746,043,830	4,271,512,291	4,697,686,056	4,823,186,056
Lottery Funds	451,008,248	295,962,709	257,717,086	257,717,086
Other Funds	150,216,833	189,075,207	23,691,000	133,691,000
Total	**4,347,268,911**	**4,756,550,207**	**4,979,094,142**	**5,214,594,142**
Positions (FTE)	0.00	0.00	0.00	0.00

* *Adjusted for post-April 2000 Emergency Board actions.*

Program Description

General state support for K-12 schools and education service districts (ESDs) is provided through the State School Fund. Allocations to school districts include a transportation grant, a facility grant and a general-purpose grant. The general-purpose grant follows a legislatively prescribed distribution formula based on number of students, additional weighting reflecting specific greater education costs, teacher experience, and local tax resources. This formula was designed to equalize allocations to schools. It has been phased in over time through the use of flat and stop-loss grants designed to ease the transition for certain school districts. Full implementation of the equalization formula will occur in the 2001-03 biennium.

Revenue Sources and Relationships

In the Governor's budget, Other Funds include $110 million in tobacco settlement proceeds and $23 million for certain local tax revenues deposited in the State School Fund, as required by House Bill 3575 from the 1999 legislative session. For 1997-99 actual and 1999-01 estimated expenditures, the majority of Other Funds are proceeds from lottery-backed bonds ($150 million and $127 million, respectively). For 1999-01, Other Funds also include $41.4 million from the School Technology Account established by Senate Bill 622 and $20.7 million for local tax revenues under House Bill 3575.

Budget Environment

Currently, there are 198 elementary and secondary school districts and 21 education service districts, which served around 574,000 students (based on annual cumulative enrollment figures) in grades K-12 in 1999-00. Enrollment is at a record high and expected to climb throughout the 2001-03 biennium, although at a slower rate than experienced in recent years. In the last ten years, there has been a significant change in the demographics of the students enrolled. Minority enrollment has increased by about 7% per year. The proportion of minority enrollment to total enrollment was 11.2% in 1990, increasing to 18.1% in 1999. This growth has implications in how education is provided locally, ranging from need for English as a Second Language services to culturally-sensitive programs to reduce the higher drop-out rate among minority students. The number of students in English as a Second Language or bilingual education programs has increased substantially, from fewer than 7,500 in 1988 to more than 35,000 students in 1998. The low-income population in public schools (as indicated by the number of free and reduced-price lunches) is 34.5% of the total.

Voter approval of Measure 5 in 1990 and Measure 50 in 1997, both of which limited local property tax revenues, caused a significant shift in funding sources for K-12 education. The proportion of statewide General Fund and lottery expenditures for K-12 education has increased from about 25% in 1989-91 to about 71% in 2001-03. (Total funding recently has kept pace with inflation, having dipped below in the mid-90s but catching up in the 1999-01 biennium.) Given the shift in funding sources, a key issue is how to balance maintenance of local control of expenditures with accountability to the Legislature, the taxpaying public and others. School and district report cards, as required by Senate Bill 1329 (1999), and the Database Initiative Project are steps towards accountability.

Measure 1 approved by the voters in November 2000 requires the Oregon Legislature to fund schools at a level that ensures school quality goals established in state statutes are met. The Legislature is to publish a report establishing that funding is sufficient or, if funding is not sufficient, explaining the reasons for the insufficiency, its extent, and the impact on meeting the goals. The Governor's basis for funding a quality education to meet the State's goals is the Quality Education Model. This model was created during the 1997-99 biennium to help determine the costs of an education designed to achieve a certain level of student performance, i.e., bringing 90% of Oregon students to state standards. Throughout the 1999-01 biennium, the model has been reviewed and refined. However, it is still largely an untested model. It is not known whether the level of funding determined by the model will enable 90% of students to meet standards nor is it known whether this goal can be met with less funding. Additionally, the model uses prototypical schools as a basis for determining funding, but does not require Oregon schools to purchase the same inputs as the prototypical schools. At this time, accountability in the context of the model is defined only as a school's commitment to meet a certain level of student performance, given a certain level of funding.

Governor's Budget

The Governor's budget is an increase of 10% over 1999-01 estimated expenditures and an increase of 4.7% over the current service level budget. Combined General Fund and Lottery Fund support are increased by 11.2% and 2.5% over 1999-01 estimated expenditures and the current service level budget, respectively. The budget does not continue 1999-01 funding of $127 million from lottery bonds or $41.4 million in Senate Bill 622 proceeds distributed from the School Technology Account. These were intended to be one-time funding.

The Governor's budget of $5.2 billion includes $86.6 million for student growth of 0.8% in 2001-02 and 0.8% in 2002-03. The budget also includes $605 million for inflation. This amount comprises the following:

- $213 million for cost-of-living increases, using inflation factors of 2.6% for 2001-02 and 2% for 2002-03;
- $25 million for inflation of services and supplies costs, using inflation factors of 1.5% for 2001-02 and 1.9% for 2002-03;
- $242.6 million, using a salary roll-up factor of 2.8% for 2001-02 and 2.8% for 2002-03. This is a new factor in calculating the State School Fund budget. The basis for this adjustment is the belief that previous budget calculations, while taking into account general inflation, did not recognize the increases in salary costs that result from employees' upward movement on school district salary schedules. The calculation is based on the State's experience with General Fund salary roll-up costs for state employees.[1]; and
- a $125 million increase over and above the inflation factors previously described. This increase is the result when the second (and presumably higher) year of the biennial budget is doubled to create the base budget for the next biennium. Inflation for state agencies is applied to their total biennial budget, with no recognition that second year costs may be higher. Therefore, this is an adjustment unique to the State School Fund. The effect is to further increase inflation and roll-up costs, but the actual components of the $125 million are not specifically identified in the Governor's budget. This analysis assumes 85% is for personnel costs and 15% is for services and supplies.

The methodology used to calculate the State School Fund appears to overstate the budget needed to maintain the current service level. For example, in addition to differences between the State's and districts' salary schedules, roll-up costs for State employees' salaries include not only step increases but also increases for positions that are added at various points in the biennium and whose costs are adjusted upward for a full biennium in the next budget cycle. This adjustment is not really applicable to schools. Additionally, applying the State's biennial roll-up factor does not recognize that the State School Fund adjustment of $125 million described above is used to compensate for step increases and other salary costs rolling over to a subsequent biennium.

The State School Fund calculation fully funds assumed cost-of-living increases. State employee cost-of-living increases typically are not fully funded by the Legislature. Agencies are required to take management actions to generate savings through attrition, expenditure freezes and other sources to fully fund compensation packages. The State School Fund calculation does not recognize potential savings to cover cost-of-living increases, such as hiring new staff at salaries lower than those for retiring staff.

The Governor's budget earmarks $110 million General Fund in the current service level budget for a School Improvement Fund, as described below. This has been described as a reduction (1.5%) from the budgets for middle and high schools. However, it may be better characterized as recognition that the personal services costs for the State School Fund current service level budget are overstated. Finally, it should be noted that the personal services costs are used to calculate the costs for student growth. Any overstatement of personal services costs would result in an overstatement of dollars for student growth.

---

[1] Step increases for school employees, specifically teachers, are not based on the same factors as state employees' step increases. The state employee salary schedules typically have eight steps and provide for merit increases that are awarded annually to eligible employees as compensation for increases in an employee's knowledge, skills and abilities over time. In contrast, teachers' salary schedules may include step increases or increases based on attaining additional educational credit hours and degrees or both. In addition, these salary schedules can have up to 18 steps. Salary schedules vary district to district.

The budget also includes $235.5 million for the following:

- $220 million ($110 million General Fund and $110 million of tobacco settlement funds) for a School Improvement Fund to target activities that will improve student performance, specifically K-5 literacy. The Governor's intends for this to be the first phase in implementing the Quality Education Model.;
- $10.5 million General Fund for a project to ensure the consistency and consolidation of data systems among schools by setting up a process to certify data systems that meet ODE standards and provide incentives to centers that operate the systems and school districts that use them ; and
- $5 million General Fund for grants to match local option revenues in eligible districts. (House Bill 2753, passed by the 1999 Legislature, allows school districts to pursue additional local property taxes up to the $5 per $1,000 Measure 5 cap, with certain limits placed on the amount raised by schools. This law is effective for elections after July 1, 2000. Ballot Measure 1 (November 2000) establishes an equalization grant system for districts whose voters approve local option taxes, consistent with any legal obligation to maintain substantial equity in state funding.)

State support includes Lottery Funds, continuing the lottery support that began in the 1995-97 budget. However, the amount of Lottery Funds in the State School Fund declines by $38 million from the 1999-01 biennium. Lottery support in the Governor's budget accounts for 5.1% of state funding, down from 6.5% in 1999-01. This reduction reflects the passage of Measure 66, which requires 15% of net lottery revenues be directed to the Parks and Natural Resources Fund, as well as increasing debt service requirements funded by lottery revenues.

The following table shows the trend in state support for K-12 education:

($ in millions)												**Governor's Rec.**	
	90-91	**91-92**	**92-93**	**93-94**	**94-95**	**95-96**	**96-97**	**97-98**	**98-99**	**99-00**	**00-01**	**01-02**	**02-03**
State funding (a)	626	818	1100	1132	1427	1750	1760	2075(c)	2252(d)	2354(e)	2440(e)	2529(f)	2662(f)
Local & other revenues (b)	1598	1637	1490	1343	1178	902	956	871	884	939	994	1062(g)	1109(g)
Total	2224	2455	2590	2475	2605	2652	2716	2946	3136	3293	3434	3591	3771
Percent change		*10.4%*	*5.5%*	*-4.4%*	*5.3%*	*1.8%*	*2.4%*	*8.5%*	*6.4%*	*5.0%*	*4.3%*	*4.6%*	*5.0%*
STATE SHARE	**28%**	**33%**	**42%**	**46%**	**55%**	**66%**	**65%**	**70%**	**72%**	**71%**	**71%**	**70%**	**71%**

a State funding includes juvenile corrections for 1992-93 hrough 2001-03

b Local funding excludes Portland PERS costs

c Includes one-time funding of $50 million for classroom needs and $5 million for security

d Includes $150 million from lottery bond sale for school facilities; one-time funding

e Includes $127 million lottery bond proceeds for education projects, $50 million in SB 622 proceeds, $50 million from the Common School Fund (CSF), and $4 million GF for schools with more than 50,000 ADMw; assumed distribution: $108 million in 1999-00, $123 million in 2000-01; one-time funding excl. CSF

f Includes $220 million School Improvement Fund, $10.5 million for data projects, and $5 million for local option matching grants

g Includes possible $10 million overstatement of CSF distributions; includes (per current law) increased forest fees as a result of federal H.R. 2389, possibly overstating local resources by $28.7 million should the 2001 Legislative Assembly change current law to meet the intent of Congress to provide these fees as an enhancement

Historical Source: Legislative Revenue Office

ODE – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Lottery Funds	0	5,444,635	58,600,000	58,600,000
Other Funds	0	36,208,485	1,458,841	1,458,841
Total	**0**	**41,653,120**	**60,058,841**	**60,058,841**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This program provides debt service (principal and interest) on lottery-backed bonds, including:

- $150 million of bonds approved by voters in November 1997 and issued in Spring 1999; and
- $127 million of bonds approved by the 1999 Legislative Assembly and issued in 1999-01 for state education projects as defined in House Bill 2567.

Proceeds to schools were intended for the acquisition, construction, remodeling, maintenance or repair of school facilities. Schools also were allowed to use the proceeds for certain operational expenses, such as textbooks, computers, and instructional training.

Revenue Sources and Relationships

House Bill 3411 from the 1997 legislative session establishes the Education Lottery Bond Fund to repay the debt from unobligated net lottery proceeds, legislative appropriations and interest earnings of the fund. The law also states the legislative intent to pay debt service after 1997-99 from 75% of the interest earnings on the Education Endowment Fund. Additionally, the 1997 Legislature specified that if distributions from the State School Fund and local revenues exceeded specified ceiling amounts for 1997-98 and 1998-99, any excess was to be transferred to the Education Lottery Bond Fund for the purposes of paying the principal, interest and premium, if any, on the lottery bonds. The 1999 Legislature also provided that any excess from 1999-00 and 2000-01 be used for debt service.

Budget Environment

During the 1999-01 biennium, approximately $24 million in excess 1997-99 State School Fund distributions was transferred to the Education Lottery Bond Fund for debt service. Because of lower property tax collections this biennium, excess 1999-01 State School Fund dollars are not expected.

Governor's Budget

The Governor's budget provides $41.9 million Lottery Funds, $16.7 million in interest earnings on the Education Endowment Fund (these are reflected as Lottery Funds), and $1.5 million in other interest income for debt service.

Oregon Health Sciences University Public Corporation (OHSU) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	107,896,926	111,896,927	111,896,927	104,694,350
Other Funds	0	0	0	10,000,000
Total	**107,896,926**	**111,896,927**	**111,896,927**	**114,694,350**

The tables for OHSU only show expenditures of state funds in the OHSU budget. Total OHSU expenditures for the 1999-01 biennium are projected to equal $1.64 billion.

The Oregon Health Sciences University (OHSU) is the only academic medical center in the state. The university operates on its main campus adjacent to downtown Portland and on the site of the Oregon Primate Research Center in Washington County. OHSU also has clinical facilities throughout the Portland metropolitan area, and teaching programs in various locations throughout the state. OHSU's mission includes education, research, clinical care, and public service.

OHSU has been organized as a public corporation since 1995. Prior to that, the university was a component of the Department of Higher Education. The change in status was granted to allow OHSU to operate more efficiently and to respond more quickly and in a more businesslike manner to changes in the health care marketplace. At the same time, the public corporation status is designed to retain principles of public accountability and fundamental public policy.

A Board of Directors appointed by the Governor and confirmed by the Senate now governs the university. The public policy of the university is delineated in statute. Nonetheless, under its public corporation status, OHSU operates with considerable autonomy. The Legislature no longer approves the university budget (or limits its expenditures from tuition and other sources), though the state continues to support OHSU through grants for its educational and clinical activities. These grants totaled almost $112 million in the 1999-01 biennium.

OHSU has approved a proposal to merge with the Oregon Graduate Institute of Science and Technology (OGI), a private nonprofit school that offers graduate education in electrical and computer engineering, computer science, biochemistry, molecular biology, and the management of science and technology. Under the merger agreement, OHSU will acquire the assets and liabilities of OGI and establish the OGI School of Science and Engineering at OHSU. The merged institution will retain OHSU's public corporation status, and OHSU will change its name to "Oregon Health & Science University." The target date for closing the merger is July 1, 2001, but a number of pre-conditions remain to be met before the merger is closed. Chief among these conditions are that OGI raise $12 million in gifts and pledges, and that the Legislature approve legislation expanding the statutory mission of the institution to include engineering education and research.

Budget Environment and Performance Measures

State support for OHSU has declined since the institution was reorganized as a public corporation. The institution received $123.6 million from the state in 1993-95, the last biennium that it was a part of the Oregon University System. This level declined 14% when OHSU was turned into a public corporation in the 1995-97 biennium, and has only increased 5.1% since then. State support now equals about 7% of OHSU revenue. The largest source of revenue in the OHSU budget are the net medical service fees generated by the hospitals and clinics, which total over $800 million per biennium and equal 52% of total revenue. Another 31% of revenue comes from gifts, grants and contracts. Student tuition and fees contribute 2%, and the sales and services of education departments contribute 2 percent. The remainder is divided among various miscellaneous revenue sources.

OHSU has significantly expanded its operations in the five years since it was organized as a public corporation. Although student enrollment has only increased 3%, other measures have shown much greater expansion. The institution's operating budget has grown 69%, its total employment count has increased 52%, and annual grant awards have risen by 85 percent. The university's clinical services similarly show a large increase. The number of hospital discharges (excluding newborns) is up 28% since 1995, the number of clinic outpatient visits is up 58%, and the number of beds in the hospital is up 18 percent.

OHSU's hospitals and clinics operate in a competitive environment. As such, OHSU must adapt to a rapidly changing health care marketplace as more of the market moves from a fee-for-service to a managed care-based system. OHSU's hospital costs are higher than its competitors because of its teaching functions. Under managed care systems, insurers are less willing to pay additional charges to cover OHSU's teaching-related expenses. This situation exists both in the private-payer and the public-payer markets. The state's Medicaid program, for example, passes through extra payments to OHSU to compensate for the hospital's educational and related costs. These payments had declined though with the implementation of the Oregon Health Plan. After peaking in the 1992-93 fiscal year at $23.4 million, Medicaid pass-through payments fell to $12 million in the 1997-98 fiscal year. Last session, however, the Legislature agreed to allow OHSU to retain all of its Disproportionate Share Hospital and Graduate Medical Education (GME) pass-through payments, and supported a state plan amendment to increase GME payments. As a result, OHSU's Medicaid pass-through payments now total approximately $33.5 million annually.

OHSU has switched from a government standard accounting system to the accounting system used by the nonprofit sector. This system requires the university to recognize depreciation expense in all of its program areas. The university is currently showing net income, including the depreciation expense, of $12.9 million in the 1999-01 biennium. This figure is a consolidated measure that includes the Oregon Health Sciences (OHS) Foundation. Excluding the Foundation, the university is projecting a $28 million loss in the 1999-01 biennium. OHSU's goal is to realize net income (excluding the OHS Foundation) of at least $30 million per biennium to retain access to capital markets and to replace equipment and provide for working capital as needed. The university is therefore approximately $58 million short of this goal.

The university has worked with the Joint Legislative Audit Committee to develop a number of performance measures relating to its education, patient care, research, and public service missions. The university also tracks measures reflecting its economic impact. The institution does not report targets for these performance measures, but it does report on changes in them. The performance measures relating to education and patient care are discussed in the Education and General and Hospital and Clinics program area discussions below. Other performance measures are discussed immediately below.

The university's research performance measures track total dollar awards and national rankings. Total research awards reached $167.6 million in the 1999-00 fiscal year, an increase of 63% over the fiscal year two years earlier. This growth reflects both a general increase in awards received, and the institution's merger with the Oregon Primate Research Center. In 1999, the university ranked 29th in terms of National Institutes of Health support to institutions of higher education. The university's performance measures for its public service mission track various activities, including: participation in the Area Health Education Centers (AHEC) program, which brings educational training to centers throughout the state; services provided by the Office of Rural Health; calls handled by the Oregon Poison Center; contacts made by the Center for Research on Occupational and Environmental Toxicology (CROET); and the patient service activities of the CDRC. For economic impact, the university tracks its employment levels. It also reports on (though does not quantify) OHSU's support to the local and state economy, on its biotechnology contributions, and on the economic dividends of its research.

Governor's Budget

The Governor's budget reduces General Fund support by approximately $7.2 million from the 1999-01 biennium level, and adds $10 million of Tobacco Settlement [Master Settlement Agreement of 1998] funds (shown as Other Funds).

This budget contains a number of departures from previous Governor's recommendations for OHSU. Last session the Governor's budget defined the current service level of state support for OHSU as being equal to the prior biennium funding level. This definition of current service level differs from that applied to state agencies, where the current service level calculation includes adjustments for inflation, personal service cost changes, the phasing in and out of funded programs, and shifts of program funding to other sources. The 1999-01 Governor's budget not only excluded inflation funding in the OHSU current service level calculation, but it also did not include any funding for inflation in a policy package.

The university asked the Legislature to add inflation funding during the 1999 Session. The Legislature ultimately rejected this request, and concurred with the Governor's decision to not include inflation in the OHSU current service level. The Legislature held that the university's public corporation status justifies a different calculation for current service level than that which is applied to state agencies, since support for OHSU is now provided as a grant and not as a reimbursement of budgeted costs.

In his 2001-03 budget, the Governor has reversed his earlier decision and now does include an allowance for inflation in the OHSU current service level. This allowance was calculated at 2.5% of the prior biennium funding level, or approximately $2.8 million. (This is still a different calculation for current service level than applied to state agencies.) The Legislative Fiscal Office, however, continues to identify the OHSU current service level as the prior biennium funding level, using the definition approved by the 1999 Legislative Assembly. The Governor's budget adds approximately $2.8 million for inflation and then reduces the inflated total by $10 million – for an approximate net $7.2 million (6.4%) reduction from the prior biennium.

In another departure from previous practice, the Governor's budget does identify separate recommended funding levels at the program area level. Until now, state support to OHSU has been provided through three separate appropriations: for the Education and General Program, for the Hospital and Clinics, and for the Child Development and Rehabilitation Center. The Governor proposes to combine these into a single appropriation. There is no direction to OHSU on the allocation of funds, or on how any budget reductions necessitated by the General Fund reductions are to be taken. The Department of Administrative Services suggests a number of possible actions to mitigate the funding reduction, including: increasing tuition; consolidating regional programs in the School of Nursing; working to increase endowment and donation income; reducing costs in areas with flexibility such as hospital operations, research, and the School of Medicine; and revising assumptions of client mix to be consistent with a proposed Oregon Health Plan strategy to more evenly distribute low-pay hospital patients among Portland area hospitals.

The Governor's budget also allocates $10 million of Tobacco Settlement funds for the Oregon Opportunity Program – OHSU's proposal to expand research programs in genetics and biotechnology. OHSU had requested $200 million in state support to be matched with $300 million of private funds. The state support was to expand capital facilities and to support additional researchers. The university has identified a means of support to be a state bond with debt service in the range of $12-$15 million per year. The Governor's budget dedicates $10 million of Tobacco Settlement revenues for financing one year of debt service (i.e., at an ongoing biennial cost of $20 million). This level of funding will not support the full debt service of a $200 million bond at current interest rates. Note that OHSU has the legal authority to borrow funds on its own. The university does not believe, however, that underwriters would support such bond issuance if OHSU were to proceed on its own.

OHSU – Education and General

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	69,724,926	73,724,927	73,724,927	
Total	**69,724,926**	**73,724,927**	**73,724,927**	

Program Description

The instructional activities of the University are organized into three schools – the Schools of Medicine, Dentistry and Nursing. The University offers professional degrees in medicine, dentistry and pharmacy; baccalaureate degrees in nursing, dental hygiene, medical technology, radiation therapy and physician assistant studies; graduate degrees in biomedical science specialties, public health, and nursing; and certificate programs in nursing, paramedic training and dietetics. The University had a enrollment in Fall 1999 of 1,854 students. This number includes 231 nursing students on the campuses of Eastern Oregon University, Southern Oregon University, and the Oregon Institute of Technology. The remaining nursing students, and all of the students in the other programs, are generally located on the Portland campus.

Revenue Sources and Relationships

The primary source of non-state funds for the Education and General Program is tuition. Other sources include sales and charges for services, indirect cost recovery on grants, and other miscellaneous revenue. State funds are distributed to the University's three schools, to the Biomedical Information Communication Center, and for facilities and support services.

Budget Environment and Performance Measures

The Education and General Program (referred to internally at OHSU as the "University" budget) does not generate net revenue to the institution. This is standard for educational enterprises of this type throughout the country, which all rely on clinical care revenues, public support, or large private endowments to operate. OHSU maintains its educational programs with the assistance of General Fund support and the net revenues generated by its hospitals and clinics. The three schools vary in the degree to which state funds support their budgets. State funds cover only 9% of the School of Medicine's budget, but cover 40% of the School of Nursing's budget. The figure for the School of Dentistry is 33 percent. OGI receives some state support from the Oregon Engineering Education Investment Fund, which is supported in the Department of Higher Education Budget. OHSU is not requesting any additional state support in conjunction with its proposed merger with OGI.

The Area Health Education Centers (AHEC) program, which brings educational training to centers throughout the state, is included in the Education and General Program. AHEC was originally financed through a combination of federal and state funds. During the 1999-01 biennium, the federal government completed a phase-out of its support of this program. The state has replaced the federal funding with General Fund and with funds from the Criminal Fine and Assessment Account. Because the phase-out of federal funding is complete, there is no requirement for additional state funds to support existing AHEC programs.

OHSU tracks a number of performance measures relating to its education programs. These include program enrollments and diversity of student body, geographic distribution of students, average grade point averages and test scores for admitted students, tuition levels relative to peer institutions, and licensure rates for graduates in professional programs.

Governor's Budget

The Governor's budget contains no specific recommendations on either the funding level or on funding cuts for the university's Education and General Program. The budget includes $10 million of Tobacco Settlement funds to support an expansion of genetic and biotechnology research. This money is to support one year of debt service on bonds issued to expand OHSU's research facilities.

OHSU – Hospital and Clinics

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	27,882,000	27,882,000	27,882,000	
Total	**27,882,000**	**27,882,000**	**27,882,000**	

Program Description

The University Hospitals and Clinics are the clinical teaching facilities of the university. The facilities include OHSU Hospital, the Doernbecher Hospital for Children (part of the OHSU Hospital complex), and approximately 85 sub-specialty and primary care clinics. The hospital has 417 inpatient beds. Clinic facilities are primarily located on the campus, though OHSU has established a network of primary care clinics throughout the Portland metropolitan area. The hospitals admit close to 25,000 patients each year, and together with the clinics handle close to 508,000 outpatient visits per year. The hospitals and clinics handle about twice the statewide average of indigent care cases.

Revenue Sources and Relationships

Other Funds in the Hospital and Clinics program were never limited by the Legislature. The primary source of these funds are payments for services by patients and third party payers. These revenues have not been included in the state budget since OHSU became a public corporation.

Budget Environment and Performance Measures

The hospitals and clinics operate within the general health care environment and compete with other providers for patients and revenue. As such, they are affected by trends in the health care area to manage care and to restrict the growth of health care costs. OHSU is very successful in filling its hospital, which is operating at about 90% of capacity. Because of this, however, OHSU is unable to significantly expand revenue by increasing the number of patients that it serves.

OHSU has been affected by the fact that managed care reimbursement systems, including the Oregon Health Plan, do not pay for medical education costs as the old fee-for-service system did. Under managed care reimbursement, payers are reluctant to fund the hospital's additional costs related to its teaching functions. The state Medicaid pass-through payments, used to support the training of medical residents, had also declined under the Oregon Health Plan. This decline was reversed by actions last session and now Medicaid pass-through payments are at record levels.

OHSU tracks a number of performance measure relating to its patient care services. These measures include numbers of patients served by county, the number of health services provided by county and to out-of-state residents, the number of hospital beds staffed, and other measures of quantity served such as admissions, outpatient visits, average length of stay, and number of patient days.

Governor's Budget

The Governor's budget contains no specific recommendation on either the funding level or on funding cuts for the university's hospital and clinical programs.

OHSU – Child Development and Rehabilitation Center

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	10,290,000	10,290,000	10,290,000	
Total	**10,290,000**	**10,290,000**	**10,290,000**	

Program Description

The Child Development and Rehabilitation Center (CDRC) identifies persons under age 21 in Oregon with disabilities, coordinates clinical services for these individuals, and collaborates with sister agencies in case management. CDRC also provides education to health professions working with the disabled, and funds research on the health of the disabled. CDRC will diagnose and treat any person under 21 who has or is suspected of having a handicapping condition. The initial evaluation is provided at no out-of-pocket cost. The Center operates clinics in 18 Oregon communities, and serves approximately 7,500 children each year.

Revenue Sources and Relationships

The CDRC receives fees for services (including payments from the Office of Medical Assistance Programs), and federal funds from the Maternal and Child Health Block Grant. State funds cover approximately 26% of the CDRC budget.

Budget Environment and Performance Measures

Advances in medical care have increased the number of children with severe disabilities who are surviving. Fewer of these children are now institutionalized and more are being cared for at home. One of CDRC's responsibilities is training the caregivers for these children. The university tracks both the number of patients served and the total services provided as performance measures.

Governor's Budget

The Governor's budget contains no specific recommendation on either the funding level or on funding cuts for the CDRC.

Department of Higher Education (DHED) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	608,847,923	756,317,213	795,220,935	762,223,707
Lottery Funds	4,546,030	4,886,091	5,340,371	5,340,371
Other Funds	853,658,186	899,035,828	714,075,765	967,934,158
Nonlimited	1,227,618,964	1,273,158,364	1,867,365,683	1,895,005,683
Total	**2,694,671,103**	**2,933,397,496**	**3,382,002,754**	**3,630,503,919**
Positions (FTE)	11,160.65	11,469.52	11,655.96	11,503.88

Federal Funds are included in the Other Funds category in the Higher Education budget. Except for Federal Funds that are included in the Other Funds expenditure limitations of the OSU public service programs (Agricultural Experiment Station, Extension Service, and Forest Research Lab), Federal Funds are included in Nonlimited in their associated program areas.

The figures for 1999-01 Estimated differ from those reported in the Governor's budget because they include approximately $1.6 million in General Fund and approximately $24.9 million of capital construction projects (Other Funds) available to the Department though Emergency Board actions taken after April 2000. Emergency Board actions after April 2000 are excluded from the Governor's budget for technical reasons. The figures for 2001-03 Current Service Level differ from those in the Governor's budget because they include items that the Governor omits. Approximately $3.8 million of General Fund is added for Campus Performance Awards, the Oregon Wide Area Network (OWEN), audit charges, and inflation for deferred maintenance budgets. Approximately $12.4 million is added to Other Funds for Article XI-G bond support of deferred maintenance expenses. The current service level number in the Governor's printed budget also contains errors and does not correctly represent his calculation of current service level.

The Department of Higher Education is the state agency name for the educational institutions, governing board, central administration, support services, and public services that make up the Oregon University System (OUS). The institutions consist of the University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), the three regional universities (Eastern, Western, and Southern Oregon Universities), and the Oregon Institute of Technology (OIT).

Governor's Budget

The Governor's budget contains a combination of funding enhancements to establish new educational initiatives, coupled with cuts in funding for existing programs. In aggregate, the recommended budget is $33 million, or 4.1%, below the current service level. All discussions in this report of the Governor's budget for the Department, unless explicitly stated otherwise, exclude the implicit funding for the Department that is a part of the Governor's $100 million budget package for state employee compensation increases. These state employee compensation funds are appropriated to the Emergency Board for distribution to state agencies based on their General Fund support of personal services expenses. Because the Department's budget contains a large portion of the total amount of General Fund that is spent on personal services, the Department's share of this $100 million is significant. The Governor does not indicate exactly what portion of the $100 million will be distributed to the Department, but in the past two biennia this portion has varied between 21.5 and 28.5 percent.

The Department funds its operations within a number of programs whose budgets operate essentially independently of each other. The capital construction budget is financed separately from the operating budget. Within the operating budget, and under the Department's new budget model approved last session, funding for support of campuses, support of centralized services, and support for each of the three statewide public service programs of Oregon State University (the Agricultural Experiment Station, the Extension Service, and the Forest Research Laboratory) is provided separately.

Looking at these separate programs (and excluding any state employee compensation increase funds), the impacts of the Governor's budget can be categorized as follows:

Education and General Program (Campus and Centralized Activities)

The Governor's General Fund budget for Education and General programs is a net $17.6 million, or 2.6%, below the current service level. The budget includes $27.2 million in General Fund enhancements for two programs:

- $20 million above the current service level to support engineering and computer science programs. Last session the Legislature added $5 million for these same programs, but this was identified as one-time funding and was not included in the current service level calculation. Because of this, this proposal actually increases state support for engineering and computer science by $15 million above the prior biennium level.

- $7.2 million above the current service level to expand higher education opportunities in Central Oregon. These funds will support the establishment of an OUS branch campus in Bend with the eventual goal of serving 400 to 700 students by the end of the biennium.

The Governor's budget includes another $25 million General Fund that is characterized as funding enhancements, but that will effectively be used to mitigate or offset a portion of the funding cuts discussed in the next paragraph. This $25 million General Fund includes:
- $17 million for undergraduate and graduate enrollment growth. The budget does not specify how these funds are to be distributed and does not require any specific enrollment growth as a prerequisite for distributing the funds. These funds will be distributed to campuses and will offset funding cuts to existing campus programs.
- $8 million to finance a Small School Adjustment in the system's new budget model. The impact will be to offset funding cuts to the existing programs of the Oregon Institute of Technology, Eastern Oregon University, Western Oregon University, and Southern Oregon University.

The budget includes a total of $69.8 million in General Fund cuts to existing programs in the Education and General program area. A rough estimate is that this includes $57.5 million of cuts to campus funding, and $12.2 million of cuts to centralized operations. The specifics of these cuts are described in the Education and General section that follows. There are no funds to offset any of the cuts to centralized operations, but the $25 million identified above will be applied against the $57.5 million in campus budget cuts leaving $32.5 million in net cuts to existing campus programs.

The $32.5 million in net cuts to existing campus programs is further offset by a tuition increase that generates Other Funds revenue for campuses:
- $25.2 million of additional Other Funds from a tuition increase of 4% in each of the two years of the biennium. The current service level budget did not include any increase in tuition rates. The Governor's budget includes $25.2 million from tuition increases. OUS estimates that 4% annual tuition increases, applied to undergraduate and graduate resident and non-resident students, would raise this amount of revenue. OUS estimates that this level of tuition increase will reduce total full-time equivalent (FTE) enrollment by about 230 FTE per year.

The added tuition revenue reduces the net funding cut for existing campus programs to $7.3 million.

Statewide Public Service Programs of Oregon State University

The Governor's budget is $15.1 million General Fund below the current service level. This is accomplished through a $12.85 million reduction to remove all program enhancements approved last session, and an additional $2.3 million in cuts to the programs that existed prior to last session's enhancements. There are no offsetting funding increases in the statewide public service budgets. The extent of the cuts varies by program. State support for the Agricultural Experiment Station is cut 16.5% from the current service level. The percentage cut for the Extension Service is 11.8%, and the cut for the Forest Research Laboratory is 28.1 percent.

Capital Budget

The capital budget does not include funding for inflation in the academic modernization and repair (deferred maintenance) budget. This is a reduction of approximately $300,000 General Fund and $300,000 of Article XI-G match from the current service level. The budget also approves 39 campus projects costing a total of $169.8 million Other Funds.

Current Service Level Issues

The budget includes increased funds to finance the General Fund roll-up costs of 1999-01 biennium compensation increases. As in all state budgets, this increased funding is included in the current service level. Under the provisions of SB 271 passed in 1995 (common known as "The Higher Education Efficiency Act"), the Department has full autonomy from the rest of state government in determining compensation levels. According to the calculations of the Budget and Management Division of the Department of Administrative Services, all state agencies excluding the Department had a personal services roll-up cost equal to 5.46% of 1999-01 total compensation. The compensation increases the Department awarded to its employees create a 7.91% cost roll-up. The current service level for the Department accommodates a 5.46% compensation cost roll-up – equal to the average rate for all state agencies.

The Governor's budget fully funds this roll-up, but does not fund the portion of the Department's roll-up costs that exceed the statewide average. The additional amount of General Fund needed to finance the full 7.91% rollup is $12.7 million. This includes $10.9 million for the Education and General program, and a total of $1.8 million for the three statewide public service programs. Since these additional costs are not included in the current service level, the fact that the budget does not fund them is not shown as a cut from current service level. Nonetheless, these are costs that the Department's compensation levels do impose, and the Governor's budget does not finance them.

DHED – Education and General Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	498,758,834	628,066,704	662,806,943	645,248,943
Other Funds	537,804,281	607,903,782	594,658,235	664,009,696
Nonlimited	658,446,782	690,102,061	953,015,437	980,655,437
Total	**1,695,009,897**	**1,926,072,547**	**2,210,480,615**	**2,289,914,076**
Positions (FTE)	8,520.69	8,756.50	8,820.86	8,796.75

The figures for 1999-01 Estimated and for 2001-03 Current Service Level differ from the Governor's budget because they both include items that the Governor omits as indicated in the Summary Totals table. Furthermore, the 2001-03 Current Service Level differs from the Governor's budget because we show the current service level for academic modernization and repair (deferred maintenance) in the Capital Construction program, instead of showing it here. The actual expenditures are always shown under Capital Construction.

Program Description

This program includes the instruction, research, public service, and operating costs of the seven institutions that make up the Oregon University System (OUS), plus the Oregon Center for Advanced Technology Education, and the centralized administration and support services of the system. (The operations of self-supported campus auxiliaries such as housing and health services, however, are shown in the Nonlimited Program.) The Education and General Program accounts for 82% of the Department's state supported (General Fund plus Lottery Funds) expenditures. The Legislature appropriates funds and provides expenditure limitations for the Department as a whole rather than to the individual institutions. The State Board of Higher Education then allocates those funds to the various institutions and programs in annual budgets. Last session, the Legislature financed the implementation of a new higher education budget model, known as the Resource Allocation Model (RAM). The RAM allocates state support dollars primarily on an enrollment basis, and ends the prior practice of pooling tuition revenue among institutions.

Revenue Sources and Relationships

The primary source of Other Funds for the Education and General Program is tuition. Other sources include sales and charges for services, indirect cost recovery on grants, and other miscellaneous revenue. Other Funds subject to expenditure limitation are retained by the campuses generating those revenues, with the exception of a small portion of indirect cost recovery monies that are transferred to the Chancellor's Office. The General Fund appropriation is distributed to the campuses and to centralized services by the Resource Allocation Model. The RAM distributes approximately 87% of the General Fund that campuses receive for their Education and General programs on a direct enrollment basis. The campuses receive funding for total student enrollment on a full-time equivalent (FTE) basis. The funding amount varies by program type. These varying enrollment-funding amounts are commonly called "cell values." The remaining 13% of General Fund support to campuses, and all General Fund support for centralized services, is distributed in the RAM through targeted programs. Targeted programs include all funding that is not on a direct enrollment basis. Targeted programs are designed to address the costs of the system that are not directly related to enrollment levels.

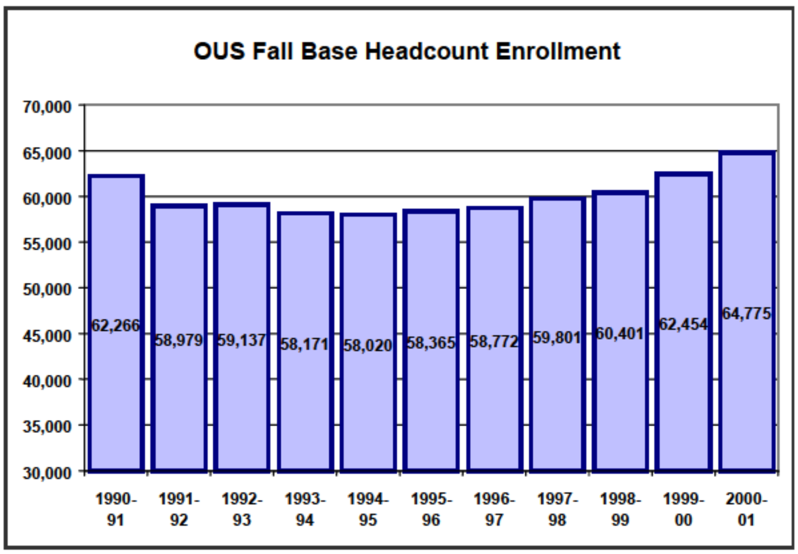
Nonlimited funds include gifts, and sponsored research financed by the federal government, private industry, and other private groups. These nonlimited funds, the major source of support for research, also directly benefit and enhance the instruction and research programs supported by the General Fund and tuition revenue.

Budget Environment and Performance Measures

State support for the Department of Higher Education was reduced greatly after the passage of Measure 5. The state met the requirements to support K-12 education by limiting funding for many programs, but OUS was particularly affected. State support for the Education and General program not only failed to grow to cover inflation, but it actually declined in nominal dollars. Total state support was $554 million in 1989-91, the last biennium before Measure 5 passed in 1990. By 1995-97, it had dropped to $499 million (this figure, for comparison purposes, includes education and general support for Oregon Health Sciences University even though OHSU was separated from OUS in 1995). The Legislature reversed this trend with the 1997-99 budget, financing new programs in engineering, new partnerships with community colleges, efforts to recruit and retain high quality faculty, and a tuition freeze for Oregon undergraduates.

In 1999, the Legislature increased General Fund support of the Education and General Program by 22 percent. This included $106.8 million of General Fund enhancements. Of this total, $15.3 million resulted in no additional revenue for the budget, since it was used to freeze tuition rates for resident undergraduates. The funds simply replaced increases in tuition that would have otherwise supported the current service level budget. The 1999-01 budget also designated $5 million for engineering education enhancements. But the remaining enhancements, totaling approximately $86.4 million, were provided to be allocated through the new Resource Allocation Model and to support the implementation of that model. The Legislature required OUS to fully implement the RAM at the level of funding it provided.

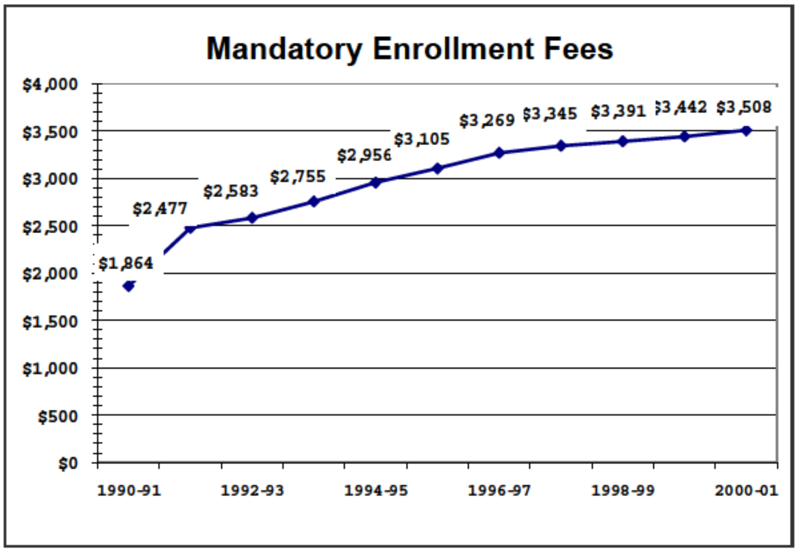
The RAM was developed and financed to address concerns about OUS's ability to respond to changes in the higher education marketplace. The basic concept behind the RAM is to increase the incentives for campuses to attract, retain, and successfully educate students. Under the old system there were many provisions designed to promote stability in institutional budgets and operations. Although these provisions proved valuable, there was concern that they also sheltered institutions to such an extent that they did not respond effectively to market needs.



The new budget allocation model acts to promote institutional effectiveness and entrepreneurship by tying financial resources more directly to the number of students served. Under the prior system, where most tuition revenues were pooled, an institution that successfully attracted additional students retained little additional revenue. In the RAM the school retains all of this tuition, thereby increasing the financial reward of attracting students. The RAM also makes the campus's General Fund support level more sensitive to enrollment than had previously been the case, thereby amplifying the financial rewards associated with attracting students even more.

Enrollment growth rates have increased since the RAM was implemented, although it is not possible to know to what extent, if any, the new budget model is responsible for this growth. Enrollment growth has exceeded 3% in each of the last two years. Enrollment on a base headcount measure is now at record levels. This reverses an earlier decline during the 1990s that occurred when tuition rates were increased rapidly as a response to Measure 5. This year enrollment not only exceeds the 1990-91 level (the last year prior to Measure 5), but it also exceeds the all time record established back in 1980-81. This growth is the result of the increasing numbers of high school graduates each year in Oregon, and because a greater proportion of these graduates are choosing to attend an OUS school. The freshman participation rate, which measures resident first-time freshmen as a percentage of the state's number of high school graduates the previous June, has now returned to its all time peak rate of 23 percent. This freshman participation rate was last realized in the 1987-88 academic year, and the rate had fallen to a low of 19.2% in the early 1990s. The two trends of larger high school graduating cohorts and high freshman participation rates are expected to continue. OUS projects enrollment growth of 4% in each of the next two years.

As state funding declined after Measure 5, the Department eliminated academic programs and reduced administrative and support services. Tuition also increased rapidly in the 1990's. Average mandatory enrollment fees for full-time resident undergraduate students is shown in the table to the right. Mandatory enrollment fees include tuition and other required fees such as building fees, incidental fees, health service fees, and technology fees. These fees increased from $1,864 in 1990-91 to $3,269 in 1996-97, an increase of 75.4 percent. In 1997, the Legislature addressed this issue by financing a tuition freeze for resident undergraduates. This freeze was extended in 1999 for an additional two years. Tuition for resident undergraduate students has not increased since 1996. Since then, mandatory fees have risen an average 7.3%, but this increase is due entirely to increases in the non-tuition mandatory fees.



The Education and General budget continues to face many issues. Although state support was greatly increased in the 1999-01 biennium, faculty salaries remain low compared to peer institutions. The Department continues to seek additional funds to address this issue, and requested $45 million for salary and benefit increases. The Department also requested $75 million to increase state support to the levels envisioned when the model was first proposed in 1998. Much of these additional funds would also be used for salary increases. Other concerns are to increase funding for the four smaller campuses, which are put at a disadvantage in the RAM because they are unable to realize economies of scale and because they do not have enough graduate students to teach courses. OUS also projects continued undergraduate enrollment growth of 4% in each of the two years of the upcoming biennium. This growth will require service expansions. Finally, OUS would like to expand and upgrade academic and research programs in engineering, computer science, and the biological sciences. Demand for these services are increasing as these sectors of the economy continue to grow.

Governor's Budget

The Governor's budget includes both enhancements and cuts of General Fund support for Education and General programs. On net, there is a $17.6 million (or 2.6%) cut in General Fund from the current service level. The budget also includes $25.2 million of Other Funds generated by a 4% per annum tuition increase.

The budget includes $27.2 million in General Fund enhancements for two programs:

- $20 million above the current service level to support engineering and computer science programs. Last session the Legislature added $5 million for these same programs, but this was identified as one-time funding and was not included in the current service level calculation. Because of this, this proposal actually increases state support for engineering and computer science by $15 million over the prior biennium level. The additional $15 million and the continuing $5 million will be directed toward increasing the number of engineering and computer science graduates, and increasing the quality of engineering programs. The budget anticipates an industry match of $17 million in support of this effort. Industry support would be provided in the form of donations, grants, and in-kind services. Industry support is included as Nonlimited Other Funds in the Department budget.
- The Department had requested $50.6 million of General Fund above the current service level to finance engineering education enhancements and capital projects. None of the $20 million in the budget is for capital projects. The original Department proposal expanded programs to increase the number of undergraduate engineering and computer science degrees by 85% by 2005, and the number of graduate degrees by 40% in the same period (the "2X Proposal"). It also included funds for the first of a four-biennium phase-in to increase General Fund support to the levels provided to top engineering programs in other states (the "Tier 1 Proposal"). Because the full amount of its original request was not funded, the Department will need to determine how best to use the more limited funding that is available.

- $7.2 million above the current service level to expand higher education opportunities in Central Oregon. These funds will support the establishment of an OUS branch campus in Bend with the eventual goal of serving 400 to 700 students by the end of the biennium. The Governor's budget funds the full amount that the Department had requested for this effort.

The Governor's budget includes another $25 million General Fund that is characterized as funding enhancements, but that will effectively be used to mitigate or offset a portion of the funding cuts discussed in the next paragraph. This $25 million General Fund includes:

- $17 million for undergraduate and graduate enrollment growth. The budget does not specify how these funds are to be distributed and does not require any specific enrollment growth as a prerequisite for distributing the funds. These funds will be distributed to campuses and will offset funding cuts to existing campus programs. The funds will be distributed to campuses through the RAM's per-FTE cell values.
- $8 million to finance a Small School Adjustment in the system's new budget model. The impact will be to offset funding cuts to the existing programs of the Oregon Institute of Technology (OIT), Eastern Oregon University (EOU), Western Oregon University(WOU), and Southern Oregon University (SOU). The new budget model has disadvantaged these smaller institutions in the distribution of funding. The added funding will be distributed to the four schools through a targeted program in the RAM, although the funding amount to each individual school will be based on its total enrollment. The Department had requested $8.8 million to implement the Small School Adjustment.

The budget includes a total of $69.8 million in General Fund cuts to existing programs in the Education and General program area. These cuts are generally, though not exclusively, realized by reducing funds for the budget model's targeted programs. Targeted programs distribute funds on other than the pure enrollment basis that the budget model's "cell values" do. The cell values provide funds to campuses of a per-enrollment basis. The targeted programs provide funds on some other basis. Targeted programs are designed to address the costs of institutions that are not directly dependent on their enrollment levels. The General Fund cuts include a:

- $10 million reduction in funding of a targeted program that supports non-sponsored (i.e., not grant supported) research programs. This equates to an approximate 59% reduction in funds specifically targeted to support research.
- $6 million reduction in funding of a targeted program that supports campus-based public services. This is equal to a 74% cut. These services include the: PSU Center for Population Studies, UO Labor Education Research Center, OSU Veterinary Teaching Hospital, SOU Regional Public Radio, OIT Dental Technology Clinic, SOU / EOU Regional Services Institutes, and the EOU / SOU / OIT small business centers.
- $5.3 million reduction of targeted programs that support centralized services. This category includes the Chancellor's Office, the Central and Southwestern Oregon University Centers, endowment fund matches, funds to pay state government service charges, the Oregon Joint Schools of Professional Business, WICHE, faculty diversity funds, services to students with disabilities funding, and the PASS program. The cuts are not to be taken from engineering programs administered centrally. This represents an 11.4% cut in support of the effected programs.
- $5 million reduction in personal services. A portion of this cut will be taken in centralized service areas, but the bulk will be distributed to campuses through reduction of the RAM cell values.
- $4.6 million reduction in services and supplies. This cut essentially removes the services and supplies inflation cost included in the current service level. A portion of this cut will be taken in centralized service areas, but the bulk will be distributed to campuses through reduction of the RAM cell values.
- $2.8 million reduction to eliminate funding of a targeted program that supports collaborative programs. These programs include funds to the Oregon Health Sciences University for educational assistance including Nursing programs at SOU, EOU and OIT; subsidies to SOU for offering some courses at community college rates; and other collaborative programs with community colleges.
- $2.8 million reduction in support of the Veterinary Medicine and Pharmacy programs at Oregon State University. The funding reduction reduces per-student state support to the same level that is provided for Law students.
- $2.5 million reduction from eliminating General Fund support of non-resident Masters students and student internships. Currently, campuses receive $470 per FTE enrollment of non-resident Masters students. The cut also eliminates support for student internship programs.
- $2.1 million reduction to eliminate the holding of centralized reserve funds. These reserve funds are currently used to fund enrolment growth that exceeds projections and to address unforeseen contingencies.
- $2 million reduction by eliminating campus performance awards. These funds are awarded to campuses that meet or exceed specified performance targets.

- $1.26 million reduction from canceling the Smart Jitney project. The Emergency Board allocated $1.5 million for this project in February 2000 with the understanding that the project would not be completed in the 1999-01 biennium, and that any unexpended funds would be carried forward and included in the 2001-03 budget. A total of $1.26 million will be unexpended, but the 2001-03 budget does not include these funds to complete the project.
- $0.2 million in reductions for state government charges and fees.
- $25.2 million in General Fund campus support. This is a General Fund reduction and is included in the $69.8 million total of General Fund cuts. This reduction, however, is fully offset by $25.2 million generated from a tuition increase. The net fiscal impact to campuses is zero. The substitution of tuition for General Fund will, however, have an effect on the distribution of funds among the campuses, since tuition and General Fund dollars are not distributed in the same pattern.

A rough estimate is that these $69.8 million of reductions include $57.5 million of cuts to campus funding, and $12.2 million of cuts to centralized operations. There are no funds to offset any of the cuts to centralized operations. For campus budgets, the tuition increase is a direct offset of the final cut listed above:

- $25.2 million of additional Other Funds from a tuition increase of 4% in each of the two years of the biennium. The current service level budget did not include any increase in tuition rates. The Governor's budget includes $25.2 million from tuition increases. OUS estimates that 4% annual tuition increases, applied to undergraduate and graduate resident and non-resident students, will raise this amount of revenue. OUS estimates that this level of tuition increase will reduce enrollment by about 230 FTE per year. Some examples of this impact are that for a full-time University of Oregon resident undergraduate, tuition will increase $108 in 2001-02, and another $112 in 2002-03. Full-time nonresident undergraduates at the University of Oregon will see tuition increases of $509 in 2001-02, and of another $529 in 2002-03. As another example, full-time resident graduate students at the University of Oregon will see tuition increases of $237 in 2001-02, and of another $247 in 2002-03. Mandatory enrollment fees will increase by the 4% tuition increase plus any increases in the other required fees: the technology fee, building fee, incidental fee, and health service fee.

The tuition increase reduces the total funding cuts to campus budgets to $32.3 million. However, the $25 million for enrollment growth and the small school adjustment will also be available to mitigate program cuts, leaving a net funding cut to campuses of $7.3 million.

Note that three campuses are also affected by a funding cut in the Department of Community College and Workforce Development budget. That budget cuts 80% of funding for partnership programs that Eastern Oregon University, Southern Oregon University, and the Oregon Institute of Technology operate with community colleges.

DHED – Fee Remissions

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	0	0	60,540,000	60,540,000
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Fee remissions are tuition reductions or waivers granted to students under a number of programs. Prior to the 2001-03 biennium, fee remissions were considered a reduction in revenue and not an expense. Thus the tuition revenue shown in the budget was net of remissions, and there was no expenditure shown. Beginning in 2001-03, fee remissions will be shown as an expense. The total size of the fee remission program will be limited. The measure of tuition revenue in the budget will be changed to gross tuition prior to any fee remissions.

Budget Environment and Performance Measures

The change in the accounting of fee remissions is in response to a change in higher education accounting standards. The new treatment is also consistent with a recommendation of the Joint Legislative Audit Committee in December 2000 that the Department expand its reporting of tuition and fee remission policies to the Legislature.

Governor's Budget

The budget accommodates $60.5 million of fee remissions. Reported tuition revenue is increased by the same amount. Fee remissions in the 1999-00 academic year totaled $32.1 million, so the figure in the budget appears to indicate a decline in the level of fee remissions.

DHED – Agricultural Experiment Station

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	41,732,438	52,963,496	55,133,499	46,017,736
Other Funds	10,982,974	14,585,285	15,109,599	15,109,599
Nonlimited	41,082,920	43,137,068	50,225,000	50,225,000
Total	**93,798,332**	**110,685,849**	**120,468,098**	**111,352,335**
Positions (FTE)	635.97	653.56	679.73	653.56

Program Description

The Agricultural Experiment Station was organized in 1888 and conducts research and demonstrations in the agricultural, biological, social, and environmental sciences. Research is conducted at a central station at Corvallis and at ten branch stations in major crop and climate areas of the state.

Revenue Sources and Relationships

Historically, Other Funds subject to expenditure limitation have come primarily from sales and service fees, with some indirect cost recovery on federal grants, interest earnings, and miscellaneous income. The Experiment Station receives federal funds (reported as Other Funds) through the Hatch Act. Nonlimited gifts, grants, and contracts provide over $43 million for Experiment Station research. These funds are projected to surpass $50 million in the 2001-03 biennium.

Budget Environment and Performance Measures

There was a reluctance to decrease state support for the Experiment Station during the early 1990's when state support to the Department was reduced, because of the positive affect its research has on the agricultural industry and the state's economy as a whole. Nonetheless, limited state resources did result in budget and staff reductions, primarily in the administration and support service areas. The reduction of state support for research had been compounded by the loss of federal and industry research grants that support a large part of the research function. The state began to restore programs as its fiscal position improved. In 1997, state funding was provided at 4.8% above the current service level. In 1999, the Legislature approved an $8.2 million expansion of the Experiment Station's research activities, increasing state support over 18% above the current service level.

Governor's Budget

The Governor's budget reduces General Fund support of the Experiment Station by $6.9 million from the 1999-01 level. This is a $9.1 million (or 16.5%) reduction from the current service level. The $9.1 million of General Fund reductions include:

- $8.2 million to cut the expanded research activities initiated in the 1999-01 budget – funding for all new projects added in the 1999-01 budget is eliminated. These projects fund research in thirteen specified program categories.
- $415,763 in the current service level for inflation – services and supply inflation allowed in the current service level calculation is denied. The budget reduction is actually larger than the $353,000 included in the current service level for goods and services cost increases.
- $500,000 in additional cuts to the services and supplies budget – this reduction is to the base budget supported prior to the 1999-01 program expansion. The budget applies this $500,000 cut to each of the three OSU statewide public services. Because the Experiment Station has the largest base budget of the three, the impact to it of this common cut is the smallest in percentage terms.

There are no enhancements for the Experiment Station in the Governor's budget. Other Funds expenditures are supported at the current service level.

DHED – Extension Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	30,753,065	36,062,583	37,867,647	33,385,360
Other Funds	16,725,644	21,790,138	22,450,997	22,450,997
Nonlimited	9,428,209	9,899,619	16,256,500	16,256,500
Total	**56,906,918**	**67,752,340**	**76,575,144**	**72,092,857**
Positions (FTE)	438.00	450.12	490.07	450.12

Program Description

The Extension Service is the educational outreach arm of OSU as Oregon's Land Grant and Sea 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. Two-thirds of Extension faculty are assigned to county locations. *Extension Specialists* are OSU faculty members who develop educational programs and serve as technical resources for county-delivered programs. *Extension Agents* are OSU faculty assigned to county field locations. Generally, counties provide office space and operating expenses, including support staff. Programs are delivered with the assistance of over 30,000 volunteers.

Revenue Sources and Relationships

The Extension Service is funded cooperatively from federal, state, county, and private sources. Federal Funds are primarily from the U.S. Department of Agriculture through the Smith-Lever Act. Lottery Funds were added in 1993 to partially offset a 20% reduction in General Fund support, and supplemented in 1995 to flat fund the Extension Service. In 1997, all state support was transferred back to the General Fund. Nonlimited funds include gifts and sponsored research financed by the federal government, private industry, and other private groups.

Budget Environment and Performance Measures

In the past, there has been a reluctance to decrease state support significantly due to funding interrelationships with federal and county sources and because of the popularity of the direct community services. In 1997, the Legislature funded the Extension Service at about 3% above current service level. In 1999, the Legislature approved a $3.65 million expansion of the Extension Service's service activities, increasing state support over 11% above the current service level.

Governor's Budget

The Governor's budget reduces General Fund support of the Extension Service by $2.7 million from the 1999-01 level. This is a $4.5 million (or 11.8%) reduction from the current service level. The $4.5 million of General Fund reductions include:

- $3.65 million to cut the expanded service activities initiated in the 1999-01 budget – funding for all new projects added in the 1999-01 budget is eliminated. These projects fund research and service in twenty-three specified program categories.
- $332,287 in the current service level for inflation – services and supply inflation allowed in the current service level calculation is denied. The budget reduction is actually larger than the $108,000 included in the current service level for goods and services cost increases.
- $500,000 in additional cuts to the services and supplies budget – this reduction is to the base budget supported prior to the 1999-01 program expansion. The budget applies this $500,000 cut to each of the three OSU statewide public services.

There are no enhancements for the Extension Service in the Governor's budget. Other Funds expenditures are supported at the current service level.

DHED – Forest Research Laboratory

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,819,481	5,040,318	5,466,411	3,927,645
Other Funds	6,530,820	10,023,425	8,918,046	8,918,046
Nonlimited	19,293,445	20,258,117	22,902,600	22,902,600
Total	**29,643,746**	**35,321,860**	**37,287,057**	**35,748,291**
Positions (FTE)	180.54	185.55	241.51	179.66

Program Description

The Forest Research Laboratory at OSU was established by the Oregon Legislature in 1941. Research is organized into six program areas: Forest Regeneration, Forest Productivity, Protecting Forests and Watersheds, Evaluating Forest Policies and Practices, Wood Processing and Product Performance, and Research Support. A 15-member statutory committee establishes the research priorities of the Laboratory. This Research Advisory Committee has nine members from the forest industry, including at least one small woodlot owner; three lay persons; the Oregon State Forester; the U.S. Forest Service Regional Forester; and the State Director of the Bureau of Land Management.

Revenue Sources and Relationships

The Laboratory is supported by state, federal and forest industry resources. Until 1993, state support was from the General Fund. In 1993, General Fund support was entirely eliminated and replaced with lottery proceeds. In 1997, the Legislature returned to supporting the Laboratory with General Fund. Other Funds subject to expenditure limitation come from the Forest Products Harvest Tax; sales and service charges; and from Federal McIntire-Stennis funds. Nonlimited expenditures from grants and contracts support over $20 million of the Laboratory's costs.

Budget Environment and Performance Measures

When state support for the Laboratory decreased during the early 1990s, an increasing share of research support shifted to other sources, primarily federal granting agencies. As a result, control of the Laboratory's research agenda shifted away from the state to several agencies of the federal government. That reduced the amount of research that was directed toward the concerns of Oregon's smaller tract forest owners and the state's wood products manufacturing industry. In 1997, the Legislature increased state support above the prior biennium level, but funding was still about 1.5% below the current service level. In 1999, the Legislature approved an $1 million expansion of the Forest Research Laboratory's research activities, increasing state support 25% above the current service level.

Governor's Budget

The Governor's budget reduces General Fund support of the Forest Research Laboratory by $1.1 million from the 1999-01 level. This is a $1.5 million (or 28.2%) reduction from the current service level. The $1.5 million of General Fund reductions include:

- $1 million to cut the expanded research activities initiated in the 1999-01 budget – funding for all new projects added in the 1999-01 budget is eliminated. These projects fund research in four specified program categories.
- $38,766 in the current service level for inflation – services and supply inflation allowed in the current service level calculation is denied. The budget reduction is actually larger than the $22,000 included in the current service level for goods and services cost increases.
- $500,000 in additional cuts to the services and supplies budget – this reduction is to the base budget supported prior to the 1999-01 program expansion. The budget applies this $500,000 cut to each of the three OSU statewide public services. Because the Forest Research Laboratory has the smallest base budget of the three, the impact of this common cut will be far greater to it than to the other statewide public service programs. Indeed, the cumulative effect of these reductions cut almost $1.4 million more than is even in the budget for services and supplies.

There are no enhancements for the Forest Research Laboratory in the Governor's budget. Other Funds expenditures are supported at the current service level.

DHED – Sports Action Lottery

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Lottery Funds	4,546,030	4,886,091	5,340,371	5,340,371
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Sports Action lottery game was authorized by the 1989 Legislature. Eighty-eight percent of the proceeds from the game, not to exceed $8 million annually, are used to finance intercollegiate athletics. The remaining 12% are for graduate student scholarships that are not awarded on the basis of athletics. Of the athletic funds, 70% must be used for non-revenue producing sports, and at least 50% must be used for women's athletics.

Revenue Sources and Relationships

All revenue is from proceeds of the Sports Action lottery game.

Budget Environment and Performance Measures

Revenues from the Sports Action lottery have been increasing. The Sports Action lottery, along with other non-video lottery games, is under pressure from both the Lottery's own video games and other competitors such as Indian gaming. The state Office of Economic Analysis is, however, projecting a revenue increase of 9% in the 2001-03 biennium.

Governor's Budget

The expenditure limitation is set to equal the projected revenue.

DHED – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	17,169,605	18,317,636	21,547,547	21,547,547
Nonlimited	62,179,182	69,708,919	68,126,333	68,126,333
Total	**79,348,787**	**88,026,555**	**89,673,880**	**89,673,880**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This program reflects the cost of debt service on capital construction projects financed with bonds. General Fund appropriations are made to pay the debt service on Article XI-G bonds, traditionally used to finance instructional and public service facilities. Revenues from self-supporting programs and student building fees are the sources of debt service for repayment of Article XI-F(1) bonds, which are traditionally a revenue source for construction of student unions, dorms, parking structures, and similar self-supporting programs. The Department has recently used Article XI-F(1) bonds to construct certain instructional facilities as well, such as the new Law Center at the University of Oregon.

Budget Environment and Performance Measures

Debt service is a fixed cost that must be paid to avoid defaulting on the bonds. The General Fund portion is the debt service payment on Article XI-G bonds.

Governor's Budget

General Fund Debt Service costs will increase almost 18% over the 1999-01 biennium level. This is the result of adding payments on new debt incurred in the 1999-01 biennium. In that biennium, the budget approved the issuance of an additional $25.4 million in Article XI-G bonds to finance academic modernization and repair and to finance six other capital projects.

DHED – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	16,614,500	15,866,476	12,398,888	12,096,476
Other Funds	281,614,467	244,733,198	12,398,888	196,905,820
Total	**298,228,967**	**260,599,674**	**24,797,776**	**209,002,296**
Positions (FTE)	0.00	0.00	0.00	0.00

The figures for the 2001-03 Current Service Level differ from the Governor's budget because they include the current service levels for General Fund and Article XI-G bond (Other Funds) support of academic modernization and repair (deferred maintenance). The Governor's budget includes only the General Fund support at the prior biennium level, and includes that in the Education and General program current service level.

Program Description

The Capital Construction budget includes major construction, renovation, and land acquisition costs. The budget also finances ongoing expenses to address deferred maintenance and to modernize and repair academic facilities.

Revenue Sources and Relationships

Traditionally, the construction, renovation and acquisition of instructional and public service buildings have been financed equally by the General Fund and Article XI-G general obligation bond proceeds. More recently, these facilities have been generally financed by donations and Article XI-G bonds. The donations are categorized as Other Funds in the budget, even though they are technically transferred to the General Fund so that they can be used to match Article XI-G bonds. Student unions, dorms, parking structures, and similar projects are generally financed from auxiliary enterprise balances and the proceeds of Article XI-F(1) bonds. In addition, revenue from self-supporting projects, gifts, grants and donations are a major funding source for capital construction. Recently, Article XI-F(1) bonds have been used for instructional buildings (the new Law Center at the University of Oregon, the Fourth Avenue Building at Portland State University are examples). Deferred maintenance (academic modernization and repair) – which does not include construction or major renovation projects – is also financed in the Capital Construction budget.

Budget Environment and Performance Measures

The 2001 Legislature appropriated $12.1 million of General Fund in the Capital Construction program as a match for Article XI-G bonds. The resulting $24.2 million was budgeted for critical deferred maintenance (academic modernization and repair) and to begin to seriously address the Department's backlog of maintenance projects. Even with distance learning and other new ways of delivering services, projected enrollment growth will strain existing facilities. Nonetheless, the Department continues to focus on deferred maintenance. Many of the facilities of the Oregon University System are in a state of disrepair. The Department estimates that cumulative deferred maintenance (i.e., the cost to restore OUS facilities to proper condition) totals $400 million systemwide. The Department also estimates that expenditures of $80 million per biennium are required just to keep the system's capital facilities in their current state of repair and to avoid further deterioration. Many facilities also require academic modernization, which includes equipment modernization such as telecommunications connectivity and enhanced computer linkages.

Governor's Budget

The Governor's budget provides General Fund only in support of deferred maintenance (academic modernization and repair). This support is at the prior biennium level with no increase for inflation. The General Fund is matched by dollar amount of Article XI-G bonds. The exclusion of funds for inflation results in a cut from the current service level of $302,000 General Funds and $302,000 Other Funds.

The budget also approves a total of 39 capital projects priced at $169.8 million. These costs will be financed by $152.3 million of Article XI-F(1) bonds and with and with $17.5 million of gifts, grants, and federal funds. The Capital Construction budget continues a recent declining trend, falling 24% from the prior biennium level.

DHED – Nonlimited (Excluding Debt Service)

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	437,188,426	440,052,580	756,839,813	756,839,813
Positions (FTE)	1,095.90	1,126.23	1,126.23	1,126.23

Excludes nonlimited expenditures of sponsored research and other grants, and Debt Service programs, which are described in sections dealing with those programs.

Program Description

The Nonlimited funds displayed here consist of: 1) self-support activities such as dormitories, bookstores, parking, health centers, and food services; 2) self-support instruction, and 3) and student aid and loan repayments. The scope of self-support instruction activities was reduced during the 1999-01 biennium, when the Legislature approved providing General Fund support for most academic programs. Generally, only non-credit continuing education (distance learning) programs are still conducted on a self-support basis. Most nonlimited funds (including federal support for research) are not shown here, but are shown in the appropriate program level (Education and General, the OSU Public Services, or Debt Service), to provide a clearer picture of program costs and funding.

Revenue Sources and Relationships

Most self-supporting Nonlimited revenue sources are dedicated to a specific purpose and are independent of General Fund and limited Other Funds supported programs. The revenue sources include student aid funds, food service and other enterprise sales, dormitory fees, health service fees, and course fees for non-credit continuing education programs, among others.

Budget Environment and Performance Measures

Projected Nonlimited expenditures appear in the budget for information purposes only. Available nonlimited funds may be spent without limitation by the Legislature. Showing the Nonlimited expenses in the budget gives a clearer picture of the Department’s overall activities. Approximately 43% of all expenditures are in nonlimited programs, and approximately 25% of all higher education employees are supported by nonlimited funds. These figures refer to all nonlimited funds in the budget and not merely to the funds identified in this program area.

Governor’s Budget

The Governor’s budget anticipates Nonlimited expenditures to increase less than 1% over the level in the 1999-01 Legislatively Adopted Budget.

Oregon Student Assistance Commission (OSAC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	32,409,753	33,480,781	34,336,198	34,273,663
Lottery Funds	0	4,258,088	4,364,540	5,842,185
Other Funds	11,168,902	12,537,708	14,114,204	14,055,009
Federal Funds	983,153	867,253	1,026,970	1,026,970
Nonlimited	51,687,759	42,632,468	50,511,609	50,511,609
Total	**96,249,567**	**93,776,298**	**104,353,521**	**105,709,436**
Positions (FTE)	88.50	91.96	90.96	92.21

In 1999, the Legislature changed the name of the Oregon State Scholarship Commission to the Oregon Student Assistance Commission (OSAC). The Student Assistance Commission administers financial aid programs designed to assist students in obtaining post-secondary education in Oregon. The Commission administers both grant and loan programs. Within this mission, the agency's activities can be categorized into four broad but quite distinct functions. The Commission: 1) administers state-funded student aid programs, 2) administers the federal student loan guarantee program in Oregon and a number of other small federal programs, 3) administers a large number of private scholarships for donors who have contracted with the Commission to provide this service, and 4) houses the Office of Degree Authorization. The administrative costs associated with these programs are financed from the same fund sources as the programs themselves. Thus the state provides General Fund to the Commission to administer the state-funded programs, the federal government and fees (both identified as Other Funds in the budget) provide funds to administer the loan guarantee programs, private donors provide Other Funds to administer the Private Awards program, and both General Fund and fees finance the Office of Degree Authorization.

Approximately 95% of the state funds (General Fund and Lottery Funds) budgeted to the agency are paid out to students through the Oregon Opportunity Grant, a program that awards need-based grants to students attending Oregon post-secondary institutions (formerly called the Need Grant). The remaining state funds are used for four smaller programs that fund student expenses, and to cover the Commission's administrative costs relating to the five General Fund-supported programs.

The Commission also acts as the guarantee agency for the Federal Family Education Loan Programs (FFELP) in Oregon. The agency guarantees qualifying private-lender loans to students and their families, works with borrowers to avoid default, purchases defaulted loans from lenders, and tries to recover on those loans. The Commission also operates the highly successful Private Award program. This program centrally administers over 200 privately funded scholarship programs and serves over 3,000 students a year. The Private Award program has been growing rapidly in number of scholarships programs managed, in number of award recipients, and in total dollar amounts disbursed.

In 1997, the Legislature transferred the Office of Degree Authorization (ODA) from the Oregon Office of Education Policy and Planning to the Student Assistance Commission. ODA is responsible for enforcing certain regulations relating to post-secondary education. ODA responsibilities include authorizing private institutions' degree programs and reviewing the postsecondary programs of public institutions to prevent detrimental duplication.

Revenue Sources and Relationships

The Commission began receiving Lottery Funds in the 1999-01 biennium. One-quarter of the earnings of the Education Endowment Fund are continuously appropriated to the Commission for Opportunity Grants. The Commission's Federal Funds are also used for Opportunity Grants.

Most of the Commission's Other Funds revenue is received under the federal loan guarantee program. The Commission receives Other Funds revenue from loan processing fees; federal reimbursements for defaulted loans that the Commission purchases from lenders; retained receipts from collections on defaulted loans; federal reimbursements for certain operating expenses; interest on accumulated loan program revenues; private award donations and charges for administering privately funded scholarship programs; and fees for reviewing degrees from private postsecondary institutions. These Other Funds (including Nonlimited) are projected to equal $64.6 million in the 2001-03 biennium. Although this appears to represent a significant decline from the 1999-01 Legislatively Adopted Budget, in fact, it does not. The apparent decline is due entirely to changes in accounting requirements for the FFELP program. These changes remove a number of transactions from the agency budget. Activity in the FFELP program, however, is actually increasing over the prior biennium level. The change in accounting is reflected in the 1999-01 estimated and 2001-03 current service level numbers above.

Budget Environment and Performance Measures

In 1997, the Legislature made a major change in Opportunity Grant funding when it dedicated 25% of the earnings of the Education Endowment Fund to the Opportunity Grant program. The state constitution dedicates 15% of net lottery proceeds to the Education Endowment Fund. The Fund's principal cannot be spent but the investment earnings of the Fund can be. The 1999-01 biennium was the first where the Commission spent funds from this source. All Lottery Funds in the budget are from this source. Lottery Funds now finance approximately 15% of the Opportunity Grant program.

Education Endowment Fund earnings for the Opportunity Grant are projected to total $5.8 million in the 2001-03 biennium. Although this represents a healthy 37% increase over the prior biennium level, this increase actually understates the impact of the growth of the Fund. The corpus of the Fund is projected to grow 50% in the 2001-03 biennium, and earnings distributions will grow 73 percent. The reason for the lower rate of increase in the OSAC budget is a timing issue. Expenditures in 1999-01 represented more than two years of earnings distributions, because 1997-99 distributions were held and not distributed until 1999-01. Over the long term, Lottery Funds in the Commission budget will continue to increase as the Education Endowment Fund grows.

The federal government has phased in a new Direct Student Loan Program (FDLP) that bypasses lending institutions and guarantee agencies and provides funds directly to postsecondary institutions to loan to students. As a result, loan volume in the FFELP fell 50% between the 1993-94 and 1997-98 academic years. Since then, loan volume has recovered as college enrollments and loan levels have grown. Projected loan volumes, however, remain slightly below their 1993-94 peak. Furthermore, the federal government has restricted the funds that may be used to administer the loan guarantee program. Workload is shifting from the loan processing functions to default prevention and collections functions as this occurs.

The number of private awards administered by the Commission continues to grow, which increases Grant Program Other Funds administrative costs. The Commission currently administers over 200 private scholarship programs compared to 43 just eleven years ago.

Several of the agency's divisions have established performance measures and targets. These are discussed in the Grant Division, Loan Division, and Office of Degree Authorization sections below. The agency as a whole has adopted several primary links to Oregon Benchmarks. These include links to the percentage of Oregon adults who have completed some college, the percentage of Oregon adults who have post-secondary professional-technical credentials, and the percentage who have completed a baccalaureate or advanced degree.

Governor's Budget

The Governor's budget increases total Opportunity Grant funding to $39.4 million, a 6.9% increase over the prior biennium. This rate of growth is accomplished by increasing General Fund support at the current service level rate of increase, and by adding the full 37% increase in Education Endowment Fund earnings. Although these Education Endowment Fund earnings are dedicated to the Opportunity Grant program, there is no requirement for any particular level of General Fund support. The state could therefore use increases in Education Endowment Fund earnings to offset General Fund support. The Governor's budget does not do this, however. The result is that Opportunity Grants will total approximately $1.5 million (3.9%) above the current service level. The budget retains funding of the State Grant Supplemental Award (SGSA) for private college students (an element of the Opportunity Grant program) at the current service level.

The Governor's budget also contains enhancements and cuts to other Commission programs. These are discussed in the program area discussions that follow.

OSAC – Administration Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	230,201	242,014	249,508	249,508
Other Funds	1,210,815	1,707,808	1,519,771	1,519,771
Total	**1,441,016**	**1,949,822**	**1,769,279**	**1,769,279**
Positions (FTE)	9.00	9.00	9.00	9.00

Program Description

The Administration Division is responsible for overall administration of the agency, including policy planning, budgeting, fiscal control, and personnel management. The Division's responsibilities also include evaluating agency functions, providing public information and education concerning student financial aid programs, and administering the Oregon Scholars Program, which recognizes outstanding scholastic achievement of high school students. Not all of the agency's administrative costs are funded in this division. Administrative costs appear in all of the agency's program areas.

Revenue Sources and Relationships

The Commission uses Other Funds to pay for the portion of the Administration Division's costs that are allocated to support the Other Funds-funded programs. These Other Funds include monies the Commission receives in the Loan Program from borrowers and the federal government, as well as interest earnings from the FFELP Fund. Other Funds are also collected as charges for administering Private Award programs.

Governor's Budget

The Governor's budget funds the Administration Division at the current service level.

OSAC – Grant Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	31,736,014	32,816,329	33,651,944	33,542,801
Lottery Funds	0	4,258,088	4,364,540	5,842,185
Other Funds	1,387,603	1,520,563	1,302,678	1,429,974
Federal Funds	983,153	867,253	1,026,970	1,026,970
Nonlimited	4,701,666	14,189,840	17,251,629	17,251,629
Total	**38,808,436**	**53,652,073**	**57,597,761**	**59,093,559**
Positions (FTE)	11.00	11.00	10.00	11.00

Program Description

The Grant Program Division administers a number of programs. The largest of these is the state-funded (and federally supplemented) Opportunity Grant. The Opportunity Grant, formerly called the Need Grant, is a program that awards need-based grants to assist students attending Oregon public and private non-profit colleges and universities, and Oregon community colleges. Approximately 16,000 students receive Opportunity Grants each year.

The Division administers a number of small state-funded grant and loan programs as well. These include: a) the Rural Health Services Program, which pays the education loans of health care professionals who practice in qualifying rural health care shortage areas; b) the Oregon Nursing Loan Program, which provides loans to nursing students which are then forgiven if the recipient completes a year of full-time employment in a nursing shortage area; c) the Medical-Dental Loan Program, which provided loans to health professional students until 1993; and d) the Community Service Voucher Program, which awards vouchers usable to pay tuition and fees to Western Oregon University students in exchange for community service work.

The Division also operates the Private Award program. The Commission acts as a clearinghouse for the administration of over 200 privately funded scholarship programs. This program has been highly successful and rapidly growing. It assumes administrative responsibilities for donors awarding scholarships, and enables students to submit a single application for consideration in up to twelve programs.

Revenue Sources and Relationships

The largest source of Other Funds is donations received in the Private Award program. The budget does not limit the disbursements of Private Award grants, although total charges for administering these programs are subject to limitation. Donations for private awards have increased rapidly. These donations totaled $2.6 million in the 1995-97 biennium, $3.7 million in 1997-99, and an estimated $12.6 million in the 1999-01 biennium. Private Award donations are forecast to total $13.7 million in 2001-03. Other sources of Other Funds include funds for Robert C. Byrd scholarships, interest earning on funds on deposit, and certain loan repayments.

Federal Funds are from the Leveraging Educational Assistance Partnership (LEAP) and Special Leveraging Educational Assistance Partnership (SLEAP) programs. LEAP and SLEAP funds are combined with the much larger state contribution to fund the Opportunity Grant. (Prior to the 1999-01 biennium, federal support of the Opportunity Grant program was provided through the State Student Incentive Grants program.) Federal Funds are projected to increase 18% over the 1999-01 biennium level. This reverses what had been a declining trend in federal support. Nonetheless, federal support in 2001-03 is still projected to be less than half that received during the 1993-95 biennium. Federal Funds finance approximately 2.6% of the Opportunity Grant program.

In 1997, the Legislature made a major change in Opportunity Grant funding when it dedicated 25% of the earnings of the Education Endowment Fund to the Opportunity Grant program. The Education Endowment Fund is constitutionally funded by 15% of net lottery proceeds. The 1999-01 biennium was the first where funds from this source were available to the Commission. All Lottery Funds in the budget are from this source. Lottery Funds have grown to finance approximately 15% of the Opportunity Grant program.

Budget Environment and Performance Measures

In recent years, significant numbers of students who have been eligible to receive an Opportunity Grant have not been awarded any funds. The Commission has approved eligibility standards and award levels that cannot be financed given the amount of Opportunity Grant funds available. Because of this, the Commission sets an application cutoff date each year. Students who do not finalize their plans until later, or who do not apply by the cutoff date for other reasons, do not receive an Opportunity Grant award. This practice had most severely affected community college students who often do not register for classes until shortly before the term begins. Most of the unserved students were community college students. In 1999, the Legislature directed the Commission to revise its administration of the Opportunity Grant so that community college students would not be disproportionately affected by fund limitations. The Commission responded by setting a separate cutoff date for community college applicants that was later than the cutoff date for students at four-year institutions.

The 1995 Legislative Assembly added $3 million to the Opportunity Grant appropriation to establish the State Grant Supplemental Award (SGSA). This program has continued ever since. The SGSA funds supplement Opportunity Grant awards to students attending private college and universities. These awards vary in size depending on the private institution’s tuition cost. The maximum award (including both the basic Opportunity Grant and the SGSA) is $4,690 for Reed College students. The Legislature added this award to maintain the historic distribution of Opportunity Grant funds among the three postsecondary sectors that qualify: community colleges, OUS institutions, and private colleges.

The cost of the Opportunity Grant program has expanded rapidly in recent years as more students have become eligible. At the close of the 1999 Session, the Legislature understood that Opportunity Grant funding was $670,000 short of what would be needed to allow all eligible students to be served under the Commission’s eligibility criteria. The Legislature had anticipated that the adopted budget would fund 98% of all eligible students. By April 2000, however, the agency’s estimate of the funding shortfall had grown to $3.7 million. This apparently was due to large and unexpected increases in the number of students eligible for the program. Eligibility is based on income relative to Oregon median income. In recent years, measures of Oregon median income have grown rapidly. In 1999-00, the number of eligible financial aid applicants increased 27% over the prior year. Also, in the 1999-01 biennium, OSAC incorrectly projected the number of Opportunity Grants that would be awarded and accepted. The Commission over-committed almost $1.2 million in grant awards.

The Grant Division has adopted a number of performance measures. The Division has a target to award Opportunity Grants to all eligible applicants. In the 2000-01 fiscal year, 84% of eligible applicants received awards. The Division also has targets to administer 233 private award programs, to provide private awards to at least 2,850 students annually, and to disperse approximately $8 million per year in private awards. Other

Division performance measures establish goals for total state funding for scholarship programs. These are decisions, however, that are beyond the control of the Division or of the agency.

Governor's Budget

The Governor's budget increases total Opportunity Grant funding to $39.4 million, a 6.9% increase over the prior biennium. This rate of growth is accomplished by increasing General Fund support at the current service level rate of increase, and by adding the full 37% increase in Education Endowment Fund earnings. Although these Education Endowment Fund earnings are dedicated to the Opportunity Grant program, there is no requirement for any particular level of General Fund support. The state could therefore use increases in Education Endowment Fund earnings to offset General Fund support. The Governor's budget does not do this, however. The result is that Opportunity Grants will total approximately $1.5 million (3.9%) above the current service level. The agency, however, continues to project explosive growth in Opportunity Grant costs. It estimates the cost to serve all Opportunity Grant-eligible students in 2001-03 at $56.8 million. By the agency's estimate, the Governor's budget is about $17.4 million short of what is needed to fully fund the program. The high rate of cost growth implied by the Commission's estimates warrants further examination. The Governor's budget retains (within the $39.4 million for Opportunity Grants) funding of the State Grant Supplemental Award (SGSA) for private college students at the current service level.

The Governor's budget eliminates General Fund for two programs: the Medical-Dental Loan Program and the Community Service Voucher Program. These eliminations result in a General Fund reduction of about $109,000. The Medical-Dental Loan Program is inactive in the sense that it does not support any new loans. The program provided loans to medical, dental and nursing students at OHSU, and to veterinary students at Oregon State University, during the period from 1977 to 1993. Since then, General Fund has continued to be budgeted to pay loan interest for students who are still in school, and to purchase any of the old loans that go into default. No funds were used for these purposes in the 1999-01 biennium, but approximately $79,000 of General Fund is included in the agency's 2001-03 current service level for this program. The Governor's budget removes these funds. Note that Medical-Dental Loan funds that are not needed have historically been transferred by the agency to fund Opportunity Grants. The Community Service Voucher Program is an active program that awards vouchers usable to pay tuition and fees in exchange for community service work. The program operates only at Western Oregon University. The program serves about 16 students each year.

The Governor's budget also contains an enhancement to the Grant Division that is financed by Other Funds. This involves making the Volunteer Program Manager position, which was established last session as a limited duration position, permanent. This enhancement adds 1 FTE and approximately $127,000 of Other Funds expenditure limitation to the budget. During the 1999-01 biennium, the Oregon Community Foundation provided grant funds to finance the position. Their funding commitment ends with the 1999-01 biennium. The agency had requested General Fund to continue this position, but the Governor's budget approves it to be continued with Other Funds. There is no identified funding source to finance this position after the expiration of the Oregon Community Foundation grant.

OSAC – Loan Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	7,583,756	8,322,045	10,201,520	10,126,520
Nonlimited	46,986,093	28,442,628	33,259,980	33,259,980
Total	**54,569,849**	**36,764,673**	**43,461,500**	**43,386,500**
Positions (FTE)	60.50	63.96	63.96	63.96

Program Description

The Loan Program Division administers the Federal Family Education Loan Programs (FFELP), formerly called the Guaranteed Student Loan Program. The FFELP include the following:

- Federal Stafford Loan Program – Need-based, subsidized and non-need-based, unsubsidized student loans with annual and aggregate limits based on grade level.
- Federal PLUS Program – Low-interest loans for parents of dependent undergraduate students.
- Federal SLS Program – Loans for independent undergraduate, graduate, and professional students.

The Commission's responsibilities in FFELP are to guarantee qualifying loans made by private lending institutions. This program allows the lending institutions to make student loans that might otherwise be too risky or require a much higher interest rate for the loan to be offered. Loans are guaranteed for Oregon students who study both in-state and out-of-state, and for out-of-state students attending Oregon institutions. The Division works with borrowers who are in danger of defaulting on their loans. When a loan actually goes into default the Commission pays off the loan to the lender (i.e., buys the loan from the lender) and then is mostly reimbursed for this cost (98%) by the federal government. The Commission must then attempt to collect on the defaulted loan.

Revenue Sources and Relationships

The Loan Program receives no state funds. Most of the Commission's Other Funds revenue is received under the federal loan guarantee program. The Commission receives Other Funds when it collects ("recovers") on defaulted student loans that it has guaranteed. The agency also receives payments for loans that it has reinsured with the federal government, and from fees it charges in the loan guarantee program. Revenue accrues from loan processing fees (1% of loan volume), and an administrative cost allowance paid by the federal government (0.65% of loan volume). The Commission also receives interest earnings on FFELP funds, but these earnings have declined as the federal government has increased the proportion of interest earnings that it retains. For loans that do default, the Commission receives a reinsurance payment from the federal government for buying the loan from the lender. The Commission also retains a portion of any subsequent recoveries on the defaulted loans and forwards the remainder to the federal government.

Budget Environment and Performance Measures

The budget limits the Commission's expenditures for administering the loan program but does not limit what the Commission can pay to assume the loans it has guaranteed, or the payments made back to the federal government for their portion of the loan recoveries.

The loan program is being greatly affected by the creation of the Federal Direct Loan Program (FDLP). This competing program, established in 1992, allows students to borrow directly from the federal government, thus bypassing entirely the guaranteed private loans that the Commission handles. In 1996, the federal government eliminated a cap on the percentage of schools that may participate in the FDLP. Schools choose to participate in either the direct loan program or the guaranteed loan program. OHSU and all OUS institutions, except for the Oregon Institute of Technology and Eastern Oregon University, have switched to the direct loan program. Most Oregon community colleges, independent colleges and proprietary trade schools have remained with the guaranteed loan program. In total, approximately 50% of new loan volume is now in the FDLP. Annual loan volume declined from $180 million it the 1993-94 fiscal year to $91 million in 1997-98. This reduces the need for staff and resources for loan processing, and in the future will reduce the need for resources for the program's collection activities. Loan volume has since recovered to $146 million in 1999-00.

The Loan Division has established several performance targets. It has targeted to reduce the percentage of cumulative defaulted loan dollars that have not yet been collected to 4.25 percent. That rate now stands at 4.51%, and has declined from 5.24% in 1991. Another target is the cumulative collection of $169.5 million in defaulted loans. To date, $129.6 million has been collected. Another target is to restore 95% of all troubled loans to good standing before they go into default (this measure is known as the "cure rate"). The cure rate has increased from 80% in 1992 to 93.6% in 1999. A final target is to reduce the percentage of borrowers who go into default within the first two years of loan repayment to 4 percent. The actual figure has declined from 11.4% in 1993 to 6% in 1998.

Governor's Budget

The Governor's budget funds the Loan Division at the current service level, except for a $75,000 Other Funds reduction for services and supplies.

OSAC – Information Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	206,006	238,121	257,094	243,266
Other Funds	917,437	873,299	926,523	876,523
Total	**1,123,443**	**1,111,420**	**1,183,617**	**1,119,789**
Positions (FTE)	6.00	6.00	6.00	6.00

Program Description

This division is responsible for the agency's computer systems. The Division maintains the computer hardware, software, and databases necessary to provide financial aid information to Commission staff, outside institutions, and individuals. The Commission contracts for services for its loan processing software.

Revenue Sources and Relationships

The Commission uses Other Funds to pay for the portion of the Information Services Division's costs that are allocated to support the Other Funds-funded programs. These Other Funds include monies the Commission receives in the Loan Program from borrowers and the federal government, as well as interest earnings from the FFELP Fund. Other Funds are also collected from charges for administering private award programs.

Budget Environment

In 1997, the Legislature significantly expanded the Information Services Division to allow the Commission to upgrade its main AS/400 computer system and to increase the services it offers through the Internet. The Division's employment was expanded 50 percent. These upgrades have allowed the agency, generally, to meet its technology needs. However, the agency does see a need for additional computer memory and a need to provide computer training to college financial aid administrators.

Governor's Budget

The Governor's budget funds the Information Services Division at the current service level, except for a $13,828 General Fund reduction and a $50,000 Other Funds reduction for services and supplies. The General Fund reduction represents about 4% of the agency's total General Fund services and supplies budget.

OSAC – Office of Degree Authorization

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	237,532	184,317	177,652	238,088
Other Funds	69,291	113,993	163,712	102,221
Total	**306,823**	**298,310**	**341,364**	**340,309**
Positions (FTE)	2.00	2.00	2.00	2.25

Program Description

In 1997, the Legislature transferred the Office of Degree Authorization (ODA) from the Office of Educational Policy and Planning to the Student Assistance Commission. This Office is charged by statute "to provide for the protection of the citizens of Oregon and their post-secondary schools by ensuring the quality of higher education and preserving the integrity of an academic degree as a public credential." To this end, ODA enforces certain regulations related to postsecondary education. The purpose of these ODA regulations is to protect consumers from diploma mills and other forms of diploma fraud, and to protect taxpayers by preventing detrimental duplication of publicly funded postsecondary programs. ODA's primary responsibility relating to private institutions is to review their degree programs for academic soundness. ODA's primary responsibility relating to public institutions is to ensure that their programs do not waste taxpayer funds by duplicating programs that already exist and that are already sufficient to meet the public's needs.

ODA also maintains information on postsecondary education in Oregon, including data on enrollments, graduations, finances, staffing, and program descriptions on all public and private degree-granting institutions in Oregon. The program directly regulates approximately 135 institutions in connection with educational program reviews, including 110 private institutions in connection with degree authorizations and related functions, and 25 public institutions with respect to detrimental duplication issues. The program conducts approximately 24 degree authorizations in a biennium, and also responds to inquiries and complaints about substandard and fraudulent educational practices.

Budget Environment and Performance Measures

ODA charges fees for reviewing private institutions' proposed degrees. These fees are received as Other Funds, and are projected to total $105,000 in the 2001-03 biennium. Fee collections are expected to increase 7% from the prior biennium. These fees are collected to cover the cost of the ODA's degree authorization functions.

Last session, the Legislature reduced General Fund for the Office to approximately 50% of the total ODA budget. Previously, the General Fund financed approximately 77% of the budget. The support was reduced with the understanding that ODA would identify staff activities to determine the actual time spent on General Fund-supported activities (primarily reviewing public programs for detrimental duplication issues) versus the actual time spent on fee-generating activities (private institution degree authorizations). The ODA has completed a review of staff activities, and reports that approximately 30% of its activities are related to the fee-generating degree authorization function. The rest of its activities are in functions that do not generate fee revenue.

The Office, by rule, must complete program reviews within six months of submission. ODA has established a performance measure target to attain an average time to complete program reviews of 3.5 months or less. The Office is already exceeding this target. Its average time to complete program reviews is 2.75 months

Governor's Budget

The Governor's budget shifts approximately $64,000 from Other Funds to the General Fund to reduce total Other Funds support to the 30% level that reflects ODA activities. The General Fund impact was reduced by cutting General Fund support for service and supplies. The budget also adds a quarter-time Office Specialist position to assist ODA functions.

Teacher Standards and Practices Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	3,359,506	3,261,115	2,969,045	3,084,052
FTE	18.36	18.00	17.50	17.50

Program Description

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

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

There are approximately 75,000 educators in Oregon holding current licenses. All new applicants for licensure, as well as all former licensees who allow their licenses to lapse for more than three years, are required to pass a criminal history and fingerprint check. In 1995, TSPC was directed to do a one-time check of the criminal history records of each educator who renews a license. This requirement had a sunset date of January 1, 2000.

Revenue Sources and Relationships

The TSPC's responsibility to ensure that students are taught by competent and ethical teachers is entirely supported by fees paid by the regulated professionals. For 1999-01, in-state applicants or renewals have been charged $60 and out-of-state applicants or renewals have been charged $90. House Bill 2095 from the 1999 legislative session increased the limit on fees charged for in-state applicants or renewals from $60 to $100 and for late applications from $15 to $25 per month, not to exceed $125. This legislation takes effect July 1, 2001. The 2001-03 Governor's budget is based on a $75 fee charged to in-state applicants or renewals, effective January 1, 2002. The fee charged to out-of-state applicants remains at $90.

Other fees include $42 for fingerprinting, $50 for registration of a charter school, up to $100 for an expedited license, $150 for reinstatement of a revoked license, an alternative assessment fee of up to $200 (currently set at $100), and a beginning teacher assessment fee of up to $800 (currently set at $400). The alternative and beginning teacher assessments are processes to determine professional eligibility of applicants without traditional educational backgrounds.

Agency revenues for 2001-03 are projected to be approximately 1.4% lower than 1999-01 estimated revenues, primarily due to the sunsetting of the one-time criminal history check for all licensure renewals.

Budget Environment and Performance Measures

The TSPC estimates it will issue approximately 34,000 new and renewed licenses in 2001-03, about the same as current estimates for the 1999-01 biennium. Although a surge in retirements of "baby-boomer" teachers was expected to start in 2001-03, previous early retirements have reduced the number of eligible retirees. New entries into the teaching profession should offset retirements and other attrition.

A continued increase in the number and complexity of discipline cases and investigations is forecast for 2001-03. This increase is due in part to a greater propensity by parents to file complaints over disputes with educators and school districts as well as a greater public awareness to child abuse issues. This increase is also a result of TSPC checking criminal history records through Oregon State Police and FBI fingerprints. House Bill 2525 from the 1999 legislative session places the TSPC under a central hearings officer panel for resolution of contested cases. The impact of this legislation on the TSPC's workload is not fully known at this time.

Senate Bill 124, passed by the 1997 Legislative Assembly, authorized TSPC to establish a new licensure system, including continuing education requirements, to complement Oregon's Educational Act for the 21st Century. The new system became operational in January 1999. In the 2001-03 biennium, the TSPC plans to focus on continuing professional development for teachers, including certification by the National Board for Professional Teaching Standards.

The TSPC historically has used technology to address workload issues. In 2001-03, its goal is to use Web-based applications to increase service to customers and reduce staff time and costs.

The agency is in the process of refining its performance measures and plans to present these to the 2001 Legislative Assembly.

Governor's Budget

The Governor's recommended budget is a 5.4% decrease from 1999-01 estimated expenditures. The budget includes:

- a phase-out of $414,472 for costs of a computer upgrade completed in 1999-01 and the sunsetted fingerprinting program for license renewals;
- an increase of $8,807 for position reclassifications, primarily for new activities related to data management and archiving; and
- an increase of $106,200 for contested case hearings conducted by the central hearings panel. This includes costs associated with the panel as well as increased Attorney General costs associated with more complex cases.

HUMAN SERVICES

Commission for the Blind – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,319,277	1,416,753	1,449,927	1,304,824
Other Funds	1,866,029	1,969,720	2,017,256	2,042,526
Federal Funds	7,745,277	8,493,796	8,439,052	8,049,789
Total	**10,930,583**	**11,880,269**	**11,906,235**	**11,397,139**
Positions (FTE)	49.50	49.73	49.73	45.73

Program Description

The Commission for the Blind is a seven-person board, appointed by the Governor and confirmed by the Senate, which oversees a vocational rehabilitation agency that serves persons who are visually impaired or legally blind. The agency's mission is "to assist eligible blind Oregonians in making informed choices to achieve full inclusion in society through employment, independent living, and social self-sufficiency." It operates five main programs that are described below.

Rehabilitation Services is the Commission's largest program and includes vocational rehabilitation counseling and planning, training and education, job placement assistance, independent living skills training, and assistance for students making the transition from high school to either college or work. The program also provides services to persons whose vocational goal is homemaking. Typically, agency counselors and their clients develop a plan to reach a career goal. Depending upon the plan and other training resources, the agency can then purchase necessary training and assistive technology that will enhance the client's job skills. The Rehabilitation Services program also includes the Older Blind Program, which provides independent living skills training to persons 55 or older, many of whom became blind or visually impaired later in life.

The ***Business Enterprise*** program provides self-employment opportunities for blind persons in cafeteria, snack bar, and vending machine management. 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. The act requires a state agency (in Oregon, the Commission) to license blind vendors to manage these facilities. Oregon enacted similar legislation in 1957. ORS 346.520 allows public building agency heads to decide whether the Commission may operate a business enterprise unit on their premises. In addition to licensing program participants, the agency also provides training for operators as well as financial assistance with necessary equipment and repairs costing over seventy dollars. There are currently ten snack bars, six cafeterias, six vending machine routes, and six "dry stands" operated by program participants. (A dry stand sells pre-packaged items or snacks that do not require water or preparation.)

The ***Orientation and Career Center*** provides counseling and training for persons with recent or prospective loss of sight. It primarily serves persons who became blind during adulthood. It is located in Portland and provides client housing accommodations for those living outside the Portland metropolitan area. Agency staff teaches clients independent living skills, the use of Braille, and vocational skills. In addition, the Center includes specialized assessment and training for blind and visually impaired persons who would benefit from the use of technology, particularly computers.

Industries for the Blind is a program operated in conjunction with the Multnomah County Mental Health Department. The program includes a work activity center and a vocational program specializing in serving clients who are developmentally disabled. Many of the clients are also blind. Most of the participants work in sheltered employment. A few work in the agency's community-based supported employment program.

Administrative Services includes the Administrator's staff, as well as accounting, budgeting and human resources.

Program Budget History

	1997-99 Actual	1999-01 Est.	2001-03 CSL	2001-03 Gov.
Administration	1,142,941	1,378,496	1,442,019	1,442,019
Rehabilitation Services	6,601,329	7,144,861	6,989,947	6,607,380
Business Enterprises	517,162	582,535	611,035	611,035
Industries for the Blind	1,208,154	1,331,983	1,365,283	1,365,283
Orient. & Career Ctr.	1,460,997	1,442,394	1,497,951	1,371,422

Revenue Sources and Relationships

Federal Funds comprise approximately 70% of the agency's total revenue. The predominate source of these funds is 1973 Rehabilitation Act (as amended) Section 110 funding which accounts for better than 90% of the federal resources used by the Commission. The agency shares the state's federal allotment of Section 110 funds with the Vocational Rehabilitation Division of the Department of Human Services (VRD). VRD manages a rehabilitation services program that is similar to the Commission's but geared toward persons with disabilities other than visual impairment. Section 110 funds have a generous match rate of approximately $3.70 Federal Funds for every $1 of state or local-matching funds. The Commission receives 12.5% of the Oregon allocation; VRD receives the rest.

In addition to federal Rehabilitation Act Section 110 funding of $7.8 million, the agency receives allocations of Rehabilitation Act funding for Independent Living Part B ($74,396), training ($39,590), Older Blind ($450,000), and Supported Employment ($106,612). The Commission occasionally receives federal funding from the Social Security Administration to reimburse the agency for costs to provide services to persons receiving Social Security Disability Income (SSDI) or Supplemental Securing Income (SSI) who are competitively employed for nine consecutive months. However, none of this reimbursement revenue is included in the Governor's budget.

In the Governor's budget, the agency is including Other Funds revenue of $2 million. About half of the revenue or $1.1 million are payments from Multnomah County to the Industries for the Blind workshop for services to developmentally disabled persons. Another $326,995 comes from Industry for the Blind workshop sales. Cooperative agreements with school districts and non-profit rehabilitation providers, as well as an interagency transfer of $150,000 from the Department of Education, provide another $440,429 of Other Funds. Finally, the agency receives about $162,478 from assessments of business enterprise vendors.

The agency also receives revenue from a Bequest and Donation Fund. Prior to the 1999-01 biennium, Bequest and Donation Fund balances and income were not included in legislatively adopted budgets. The Commission distributed these funds for costs related to the agency's mission without legislative oversight. The 1999 Legislative Assembly, however, included $71,274 of donation fund income (and expenditure limitation) within the agency's Other Funds budget. Half of the funds were to be used to support the Older Blind program and the other half, to match any additional Federal Funds that might become available during the course of the 1999-01 biennium. The balance of the donation fund is expected to be about $580,000 by the beginning of the 2001-03 biennium.

Budget Environment and Performance Measures

The Human Resources Subcommittee of the 1999 Legislative Ways and Means Committee included a budget note requesting an audit of the Commission for the Blind. During the Commission's budget hearing and work session, the subcommittee expressed reservations about the reporting and use of funds donated to the Commission. In addition, there was concern about the Commission's management and coordination of services with other human service and education agencies. In response, the Joint Legislative Audit Committee (JLAC) conducted an audit of the agency and issued a report to the 2001 Legislative Assembly. In short, the report contained three basic findings. First, most of the agency's services are highly regarded by clients, advocates, and other human service organizations. Second, the Commission exercises limited fiscal oversight. Third, the Commission works well with non-profit and educational organizations, but greater cooperation with the Department of Human Services (DHS) could lead to even better program performance. JLAC made several recommendations in its report to assist the Commission in improving its oversight of the agency's finances and promoting greater cooperation with DHS. These recommendations included revising two governing statutes, requesting strong staff assistance from the Department of Administrative Services and a financial audit from the Secretary of State, and requiring agency management to regularly present financial statements to the

Commission. Three other secondary issues were referred to the Joint Interim Committee on Health and Human Services.

When a state rehabilitation agency such as the Commission cannot respond promptly, or has insufficient funds to serve all those seeking assistance, the federal Rehabilitation Act requires the agency to serve the most severely disabled persons first. This federal mandate to effectively triage clients is called an "order of selection." In June 2000, the Commission voted to operate under this mandate. VRD also uses an order of selection to determine client eligibility. That both agencies use an order of selection may reflect, in part, the growing number of persons with disabilities in Oregon's general population as well as limited resources.

The agency continues to address technology issues on behalf of its clients. Because the market is relatively small and the technology is specialized, the cost of computer equipment for blind and visually impaired persons is high. Moreover, knowledgeable technicians are required to make sure the equipment works effectively for clients and that it allows the client to perform vocational tasks over the long run, even when the client's sight changes or the employer upgrades technology for all employees. The increased use of computers in the job market, as well as significant advances in technology designed to help a visually impaired person continues to increase the demand for service from the Commission's Technology Center. To partially meet this increased demand during the 1999-01 biennium, the Commission acquired additional federal Section 110 funds, and with Southern Oregon Goodwill and the Vocational Rehabilitation Division, expanded a small technology center in Medford. As directed by the 1999 Assembly, the agency used about $35,000 of income from its Donation and Bequest Fund to match the additional Federal Funds.

Oregon continues to witness growth of the elderly population and the aging of baby boomers. Both these factors increase demand for agency services to persons who develop blindness or greater visual imparity later in life. The JLAC audit, mentioned above, includes a recommendation for the Commission and the Senior and Disabled Services Division of DHS to jointly develop a plan to coordinate their activities for older blind persons and present the plan to the 2001 Legislative Assembly. The Commission is currently exploring ways to use Medicaid to expand services to older blind persons.

The Commission for the Blind has four performance measures:

- The total number of persons served in the Older Blind Program. This program served between 374 and 920 clients annually during federal fiscal years 1995-1999. In 1999, the agency served 718 persons in its Older Blind Program. The agency's goal is to serve 700 clients each year.
- Percentage of clients successfully employed who have earnings above the federal poverty level. The percentages for federal fiscal years 1995-1999 declined from 78% in 1995 to 72% in 1997. Since then, the annual rate has remained at 72 percent. The agency's target is 70 percent.
- Percentage of clients who successfully completed their vocational plans and were employed relative to all clients entering the program. The percentages for federal fiscal years 1995-1999 ranged from 74% to 87 percent. In 1999, the Commission achieved a 74% success rate. The agency's target is 80 percent.
- The total number of persons served in the Rehabilitation Services Program. The number served increased steadily from 629 in 1996 to 853 clients in 1999. The agency's goal is 800 clients served each year.

Governor's Budget

The Governor's proposed Total Funds budget of $11.4 million is $0.5 million or 4.3% lower than a current service level of $11.9 million. The decrease is the result of two program reductions. The first reduction, in the Rehabilitation Services program, is $0.4 million Total Funds and eliminates three positions—two rehabilitation counselors in Salem and one orientation and mobility instructor in Portland. The second reduction of $0.1 million Total Funds is in the agency's Orientation and Career Center. This reduction would eliminate one more position—an orientation and mobility instructor in Eastern Oregon. The Total Funds decrease of $0.5 million includes a reduction in General Fund of $145,103.

This reduction in General Fund decreases the funding that can be used to match all federal Rehabilitation Act funds that are available to the Commission. The Governor's budget leaves about $518,000 of Federal Funds unmatched.

The Governor's budget includes an expenditure of $25,270 of Other Funds Bequest and Donation Fund income.

State Commission on Children and Families (SCCF) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	35,475,758	51,843,792	57,422,130	65,003,608
Other Funds	19,461,033	17,879,335	19,809,661	19,564,884
Federal Funds	2,424,848	1,956,462	260,397	466,341
Total	**57,361,639**	**71,679,589**	**77,492,188**	**85,034,833**
Positions (FTE)	33.54	30.67	29.00	31.00

The State Commission on Children and Families is responsible for leading statewide planning for a system of services for children and families. The system is to be preventive, accessible, community-based, focused on promoting children's wellness, and based on measurable outcomes and best practices. The State Commission supports 36 local county commissions on children and families by providing policy direction, program information, training and technical assistance in planning and program evaluation. It also distributes state and federal funds for grants and programs for children and families.

The State Commission has 16 members: 12 appointed by the Governor, the Director of the Department of Human Services, the Superintendent of Public Instruction, and nonvoting, advisory members from the Senate and the House of Representatives.

Revenue Sources and Relationships

General Fund supports more than 75% of the Commission's budget. Other Funds and a small amount of Federal Funds make up the remainder.

Most of the Other Funds revenue is federal money that comes to the Commission from other state agencies. This makes up about 20% of the Commission's budget.

- The State Office for Services to Children and Families will transfer $8.2 million in Title XX Social Services Block Grant and $2.4 million in Title IV-B (2) Family Support and Preservation Grant revenue to the Commission. Although federal Title XX revenues have been declining in recent years, the budget assumes level funding for 2001-03. Title XX supports programs for youths aged 11-18 (formerly called Level 7 youth) and relief nurseries in Lane and Multnomah counties.
- The Employment Department will transfer $3.6 million in Child Care and Development Fund (CCDF) revenue that is used by local commissions to expand access to quality child care.
- The Commission also receives federal Title XIX Medicaid funds from the Department of Human Services, for qualified services in local Healthy Start programs. About $3.4 million is expected for these services in 2001-03.

The Commission also gets some Federal Funds from specific program grants. For 2001-03, these include grants for Positive Youth Development and the Court Appointed Special Advocate program.

Budget Environment and Performance Measures

The Commission system began operations in 1994 following the passage of House Bill 2004. That bill established legislative policy to develop and implement a statewide system of services for children and families. Local commissions on children and families were created as the basis for planning and investments of community supports and services.

In 1999, the Legislature significantly expanded the scope of this effort, to require a coordinated, comprehensive planning process for all early childhood, alcohol and drug, and juvenile services. It charged the Commission with a lead role in this process. The Commission is also to take a lead role in developing a statewide early childhood system of supports. The Legislature shifted responsibility for several programs focused on older youth, including federal juvenile delinquency prevention funding and the Oregon Youth Conservation Corps, from the Commission to other agencies. The Legislature also expanded early childhood programs in the Commission, including a more than 50% increase in Healthy Start program funding. This growth was based on a view of early childhood services, prevention and early intervention as an integral part of a broad juvenile crime prevention strategy.

The Commission's programs reflect policies that promote community-based services for children and families, rather than funding defined by caseload growth. From 1994 to 2000, Oregon's 0 to 18 population increased only about 4 percent. The Commission's estimated 1999-2001 expenditures are 89% higher than its 1993-95 expenditures. Local commissions and program advocates continue to push for additional resources.

1999's Senate Bill 555 requires additional focus on setting and measuring outcomes for programs in the local comprehensive plans. The Commission has been working closely with local commissions to identify and implement outcome measures for local programs. The measures identify intermediate outcomes in four main areas: strong, nurturing families; healthy, thriving children; positive youth development; and caring communities. Every local program is required to identify and report on its identified outcomes. For example, a local parent education program may track measures of nurturing, responsive care and knowledge of child development in its participants. In addition to these local program measures, the Commission is also working to develop a way to evaluate system improvements that result from work being done by communities through their local plans.

At the agency level, performance measures are in place for the Healthy Start program and Child Care and Development Fund grants. The Oregon State University Family Policy Program evaluates the Healthy Start program each year, using both output and outcome measures. The latest report documents positive outcomes such as increased immunization rates, reduced substance abuse and family violence, and high rates of child safety even in families with high risk characteristics. For the most part, the Child Care and Development Fund measures track output, such as the number of provider trainings held or grants awarded. The Commission has contracted for independent evaluations of the Court Appointed Special Advocate (CASA) program, family resource centers, crisis nurseries and the First Steps violence prevention program. These are to be completed by the end of the 1999-01 biennium.

The Commission has also developed measures of its activities in policy-making, planning and county support. Key measures include:

- County satisfaction with state technical assistance (to be measured in a Fall, 2000 survey);
- The number of community programs that meet or exceed expected success levels (ranging from 53% to 89% across all outcomes measured);
- The percent of counties who meet reporting requirements by the due date (up from 31% in 1997 to 89% in 1999); and
- The number of acceptable quality plans submitted timely (28 in 1999).

Many of the measures are new, but all seem to be valid tools to help gauge the effectiveness of activities that are not directly tied to funded programs and local grants.

Governor's Budget

The Governor's budget for the Commission is 25.4% General Fund and 18.6% total funds more than 1999-01 expenditures. It is 13.2% General Fund and 9.7% total funds more than current service level estimates. The Commission will continue its planning and coordinating efforts for children ages 0 to 18, but will oversee increased resources for young children as part of the Governor's Oregon Children's Plan.

The Oregon Children's Plan anticipates a statewide system of screening, referral, and supports for children ages 0 to 8 and their families. The plan is based on prenatal and at-birth screenings to identify medical or social risk factors, with referrals to multi-disciplinary community teams who will do assessments and link families to services. Funding from the State Commission on Children and Families will support home visitation programs and community-based services. Other state agencies will provide health, mental health and developmental disability services; preschool and special education services; alcohol and other drug treatment services; and child care supports.

The Governor adds $18.8 million General Fund in the Commission's budget to fund screenings and in-home supports for first-born children and their families statewide. This will build on Healthy Start and home visitation programs where they now exist. The new funding is paid for in part by cuts of $11.2 million General Fund in other Commission programs. The Commission's existing Great Start funds, now supporting programs for children ages 0 to 6, will be targeted to research-based programs serving children ages 0 to 8.

In other agency budgets, the Governor adds $14 million for mental health and alcohol and other drug services and $5.9 million for the Oregon Prekindergarten Program. Separate funding for the Babies First! program in the Health Division ($1.4 million General Fund) and the Together for Children program in the Department of Education ($605,905 General Fund), is eliminated as partial funding for the broader plan.

The Commission's budget includes federal grant funds and staffing for the Court Appointed Special Advocate (CASA) program and Positive Youth Development activities. Other Funds expenditure limitation for the Children's Ombudsman is eliminated, based on a proposal to transfer statutory responsibility and resources for the Children's Ombudsman from the Commission to the Department of Human Services.

SCCF – Community Development and Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	33,562,180	49,532,600	54,638,245	62,219,723
Other Funds	19,454,371	17,610,183	19,795,440	19,550,663
Federal Funds	2,424,848	1,853,070	258,442	464,386
Total	**55,441,399**	**68,995,853**	**74,692,127**	**82,234,772**
Positions (FTE)	17.16	16.17	14.50	16.50

Program Description

This program includes funding that goes to the 36 local commissions on children and families, and the State Commission staff that provide technical assistance for local program efforts. The local commissions help develop and implement local comprehensive plans for children and families. They coordinate efforts among agencies to improve service delivery systems and monitor work performed by the service providers. The local commissions' plans and work are subject to review and agreement by the local boards of county commissioners. Neither the state nor the local commissions provide direct services. Local commissions distribute the state funding to local service providers. The providers work on contract for the local commission.

Budget Environment and Performance Measures

In recent years, the Commission's programs and resources have been increasingly focused on younger children and their families. In 1999, the Commission transferred its federal juvenile justice delinquency prevention responsibilities and the Oregon Youth Conservation Corps program to other agencies. There was also significant growth in early childhood programs for the 1999-01 budget period. The Healthy Start home visitation program expanded with a $7 million total funds increase, bringing the program to half the state's counties by June 30, 2001. An additional $3.2 million General Fund went to family resource centers, relief nurseries, the Court Appointed Special Advocate (CASA) Program, First Steps violence prevention programs, and local administration to support 1999's Senate Bill 555. Other, more flexible grant funds, such as the Great Start (ages 0 to 6), Juvenile Services (ages 0 to 18) and Student Retention Initiative grants, have had inflationary adjustments only.

The General Fund faces added pressure just to maintain these program levels in 2001-03. The 1999-01 expansion of the early childhood programs was phased in, so $3.8 million General Fund more is needed for a full 24-months' operations. Any reductions in federal Title XX Social Services Block Grant funding create increased demand on the General Fund to replace the federal fund shortfalls.

Also, even with recent funding increases in the early childhood programs, local commissions and program advocates continue to seek additional resources. Expansion of Healthy Start statewide is a priority for local commissions. The Joint Interim Task Force on Children and Families has identified a need for additional resources in home visitation programs. The CASA Planning and Advisory Committee has recommended a three-biennia expansion of the CASA program, to fully meet statutory requirements for an advocate for every juvenile court proceeding involving an abused or neglected child. The coordinated, comprehensive planning work required as a part of Senate Bill 555 should provide more specifics about local needs and resources and help determine statewide program priorities.

Governor's Budget

The Governor's proposed General Fund expenditures are 25.6% higher than in 1999-01, and 13.9% higher than current service level estimates. The proposed total funds budget exceeds 1999-01 estimated expenditures by 19.2%, and is 10.1% higher than current service level estimates. The budget funds the full 24-months cost of the early childhood program expansions and local administration grants that were phased in during 1999-01. It also uses $18.8 million General Fund for local programs that provide screening and in-home supports for newborns and their families. This is a key part of the Governor's Oregon Children's Plan. The $18.8 million, together with existing Healthy Start funding in the Commission's budget, is expected to serve all first births statewide.

As partial payment for the new efforts, the budget eliminates or reduces some other grants and programs in the Commission's budget. Targeted funds for Student Retention Initiative grants ($1.6 million General Fund), Family Resource Centers grants ($828,000 General Fund), and Court Services grants ($824,633 General Fund) are eliminated. Family Preservation and Support program grants are cut by 48% ($2.5 million General Fund), leaving $2.7 million in federal funds for these grants. Juvenile Services grants are cut by 56% ($5.5 million General Fund); $4.3 million General Fund remains for local grants. The First Steps violence prevention program funding is reduced by about 2% ($11,126 General Fund). Existing funding for the Commission's Great Start program ($8.5 million General Fund) will be redirected to local, research-based programs serving children ages 0 to 8.

The budget continues grants for local Youth Investment programs, Court Appointed Special Advocate programs, crisis / relief nurseries, Child Care and Development programs, and local staffing at current service levels. Expenditure limitation and position authority are added for a federal Court Appointed Special Advocate grant ($100,696 Federal Funds, 1 position, 1.00 FTE) and a Positive Youth Development grant ($10,000 Other Funds, $105,248 Federal Funds, 1 position, 1.00 FTE). The budget also anticipates a statutory transfer of the Children's Ombudsman responsibilities from the Commission to the Department of Human Services (DHS), with a $284,777 Other Funds reduction in this budget. DHS is currently performing the Ombudsman function through an interagency agreement with the Commission.

SCCF – Policy and Support Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,913,578	2,311,192	2,783,885	2,783,885
Other Funds	6,662	269,152	14,221	14,221
Federal Funds	0	103,392	1,955	1,955
Total	**1,920,240**	**2,683,736**	**2,800,061**	**2,800,061**
Positions (FTE)	16.38	14.50	14.50	14.50

Program Description

The Policy and Support Services program supports the 16-member State Commission, and gives policy direction and oversight of local programs for the 36 local commissions. This section handles agency administrative functions and support services, which includes communication, planning and policy management, program monitoring, fiscal control and information systems management. It helps counties with the statewide Fiscal, Monitoring and Outcomes Reporting System.

Budget Environment and Performance Measures

Senate Bill 555's requirements for a coordinated, comprehensive planning process have increased planning and program monitoring workload. The Commission has improved its statewide database to help generate better electronic fiscal and program monitoring information. It has also increased its Professional Services expenditures to provide for more independent evaluations of program performance.

Governor's Budget

The Governor's budget is 20.4% General Fund and 4.3% total funds more than 1999-01 estimated expenditures. The increase is primarily a result of base budget increases in Personal Services costs. The budget continues all current staff positions and support activities. No resources are added to support the Commission's administrative and coordination responsibilities for the Oregon Children's Plan. These include training and technical assistance, program evaluation, budget oversight, system implementation and interagency coordination.

Oregon Disabilities Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	235,466	285,499	290,331	290,331
Other Funds	582,824	606,508	580,354	546,797
Federal Funds	1,297,145	881,778	799,501	882,501
Total	**2,115,435**	**1,773,785**	**1,670,186**	**1,719,629**
Positions (FTE)	8.50	8.00	5.20	5.20

Program Description

ORS 185.120, one of the Commission's enabling statutes, sets forth two primary functions of the agency. First, the Commission is "to act as link among and between" the numerous public and private agencies and organizations serving individuals with disabilities in Oregon. Second, the Commission is "to work for the implementation and establishment of economic, social, legal and political equity of individuals with disabilities." The Commission as mandated by statute is also to advise the Department of Human Services, the Governor, and the Legislative Assembly on matters related to the equity of persons with disabilities as well as services and resources needed to serve them.

To fulfill its mission, the Commission provides advocacy activities on behalf of, and referral services to, persons with disabilities and administers three main programs: the Client Assistance Program (CAP), the Technology Access for Life Needs (TALN) program, and the Deaf and Hard of Hearing Access Program (DHHAP). The Commission also acts as the state's coordinating agency for compliance with the federal Americans with Disabilities Act (ADA). The Commission is comprised of 15 members appointed by the Governor and confirmed by the Senate.

The CAP is a federal program that provides advocacy for clients of the Vocational Rehabilitation Division (VRD) of the Department of Human Services and the Commission for the Blind who are not satisfied with their services. CAP representatives attempt to mediate and resolve disputes between clients and the two rehabilitation agencies mentioned above. In Oregon, the Disabilities Commission contracts for these services with private non-profit agencies.

The TALN program offers information and demonstrations on assistive technology to persons with disabilities, their employers and representatives of agencies and programs that serve them. The program provides outreach through community colleges around the state.

The DHHAP attempts to resolve communication barriers for state agency clients, employees, and other constituents who are deaf, hard of hearing, and/or late deafened. The program provides four basic services: training and educational services, technical assistance, information and referral services, and coordination of sign language interpreter services for state agencies.

Revenue Sources and Relationships

The CAP is entirely federally funded through the U.S. Department of Education's Rehabilitation Services Administration. Oregon has been designated as a "minimum allotment state" based on its population. The Commission expects to receive $223,566 to support the CAP during the 2001-03 biennium.

The TALN program is federally funded from the National Institute on Disability and Rehabilitation Research of the U. S. Department of Education. The Commission was granted funds of $2,847,500 for a five-year period (1995-2000). The agency expects to receive $658,212 for TALN activities during the 2001-03 biennium. Federal funding for TALN is expected to end on March 31, 2003—three months prior to the end of the biennium.

Both the CAP and TALN funding are free from any state matching requirements.

The DHHAP is funded by Other Funds from interagency agreements to provide hearing impaired translator services, sign language interpreter coordination, dispatching, training, and technical assistance. Contract agencies (and the projected contract amounts during 2001-03) include the Department of Human Services

($459,248), the Employment Department ($43,000), and the Oregon Youth Authority ($27,478). Seven other state agencies are expected to provide another $25,000 in contract funds.

General Fund support is provided for administration and Commission expenses, general advocacy activities, and coordination of ADA implementation.

Budget Environment and Performance Measures

The 1999-01 biennium brought several significant challenges to the Disabilities Commission. First, midway through the biennium, the executive director of twelve years resigned because of health reasons. Earlier in the biennium, the budget manager resigned to pursue other vocational opportunities. A new budget manager was hired and the Commission will hire a permanent director late in 2000.

Second, the Commission developed serious cash flow problems midway through the 1999-01 biennium. These difficulties resulted primarily because several revenue estimates for the 1999-01 biennium were too high. The quarterly allotment plans that established a schedule for agency cash expenditures were created and evaluated using expenditure limitation amounts and wrongly assumed that adequate revenue was available to finance the expenditures. In one instance, anticipated revenue to support a youth leadership conference never materialized. In another instance, revenue from several state agencies to support the DHHAP was inadvertently included in revenue estimates twice. The agency and the Department of Administrative Services have taken steps to alleviate this situation, by significantly reducing expenses and by requesting other state agencies to make their contract payments to the Commission earlier than they would have.

The third challenge has to do with a federal audit of the Client Assistance Program. The audit was conducted in September 1999 and found "significant issues with the management of the Oregon CAP". Most of the issues center on lack of contract and fiscal oversight by Commission staff. The Commission is taking steps to improve its oversight of the CAP contract. The Commission has changed the CAP contractor and is working with it to clarify program goals and performance expectations.

Fourth, the DHHAP expects to lose about $31,000 of revenue from the Department of Transportation to provide interpreter services. The Commission lost interpreter service revenue from several agencies during the 1997-99 biennium. The Department of Transportation has indicated that it has been pleased with ODC services, but needs to trim its budget and further, believes it can obtain interpreter services at less cost on its own than by using the Commission. The Commission acknowledges that part of the contract amounts paid by other state agencies are used to support advocacy work on behalf of deaf and hard of hearing persons. This issue, however, reflects a major concern of the Commission—how to stabilize funding for the agency's disability advocacy efforts.

The Commission expects to begin work on agency performance measures later in the 1999-01 biennium. For now, the Commission uses several statistics that measure agency workload. These workload measures are listed below.

- The Commission tracks the number of program inquiries it receives each month. The agency expects to receive about 140 inquiries related to Disability Service Offices each month. The Offices are managed by the Senior and Disabled Services Division of the Department of Human Services and, in some cases, Area Agencies on Aging. The Commission expects to receive about 70 inquiries about the DHHAP, 85 contacts related to the Americans with Disabilities Act, and 185 inquiries related to general disability issues each month.
- The Commission also expects to provide TALN services to 4,000 individuals and consultative services to 800 service providers each year. The service providers include independent living centers, state agencies, school districts and educational "regional programs" that provide services to disabled students.
- The Commission also tracks the number of CAP cases each year. During state fiscal years 1998 and 1999, the CAP handled 123 and 59 cases, respectively.

Governor's Budget

The Governor's recommended budget reflects a significant effort on the part of Department of Administrative Services analysts and agency staff to stabilize the financial position of the agency given a realistic expectation of Other and Federal Funds for the 2001-03 biennium. Expenditure limitation without supporting revenue has been phased out of the budget. Related FTE and position authority within the DHHAP has also been reduced to recognize reductions in Other Funds contract revenue from other state agencies as noted above. The Governor's budget provides a $74,520 Other Funds ending balance.

The current law budget for 2001-03 is about $104,000 less than the estimated Total Funds expenditure level for 1999-01. The reduction is primarily attributable to two items. First, Other Funds contract revenue from state agencies is expected to be about $31,000 less during the 2001-03 biennium. Second, because the federal TALN grant's current authorization will end on March 31, 2003, about $83,000 of Federal Funds have been phased out in order to derive the current law budget.

The Governor's proposal funds the current law budget and makes two adjustments. The first adjustment assumes that Congress will continue to fund the TALN program and includes an $83,000 Federal Funds expenditure limitation increase for the final quarter of the 2001-03 biennium. The second adjustment reduces Other Funds expenditures by about $34,000. This reduction reflects a reallocation of the Executive Director's and Office Specialist's salaries from Other Funds for oversight of the DHHAP, and to greater General Fund and Federal Funds financing of administrative costs.

Department of Human Services (DHS) – Agency Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	1,885,380,708	2,228,772,581	2,698,301,888	2,638,668,404
Lottery Funds	0	5,273,048	6,221,353	6,221,353
Other Funds	666,062,269	814,205,952	807,357,488	855,755,505
Federal Funds	3,302,051,759	3,988,358,963	4,333,191,578	4,330,887,274
Nonlimited	388,969,870	486,364,439	542,659,915	542,659,915
Total	**6,242,464,606**	**7,522,974,983**	**8,387,732,222**	**8,374,192,451**
Positions (FTE)	8817.36	8683.28	9010.71	8937.31

** Based on the 1999-01 DHS budget rebalance plan approved by the Emergency Board in November 2000.*

The Department of Human Services (DHS) is the largest agency within the Human Services program area, constituting 97% of program expenditures. The Department was formerly called the Department of Human Resources. The agency's name was changed by the 1999 Legislative Assembly (SB 303) effective July 1, 2000. Overall, DHS comprises about 23% of the state's combined General Fund and Lottery Funds budget. The Department is organized into nine major divisions or offices that are contained within four organizational "clusters":

- ***Economic Independence and Family Stability Services*** includes the Adult and Family Services Division; the State Office for Services to Children and Families; the Office of Alcohol and Drug Abuse Programs; and the Vocational Rehabilitation Division.
- ***Health Services*** includes the Health Division; Mental Health Services within the Mental Health and Developmental Disability Services Division (MHDDSD; and the Office of Medical Assistance Program, which includes the Oregon Health Plan.
- ***Long Term Care and Developmental Disability Services*** includes the Senior and Disabled Services Division and the Developmental Disability Services portion of MHDDSD.
- ***Department-wide Support Services*** includes the centralized administrative and support functions of the DHS Director's Office.

Revenue Sources and Relationships

The General Fund supports 31.5% of DHS expenditures. Approximately 85% of the Department's General Fund appropriation is used to match or meet maintenance-of-effort requirements for receipt of Federal Funds. Lottery Funds are provided to the Health Division for a gambling addiction prevention program. Other Funds revenues, which support 10.2% of expenditures, come from a wide variety of sources including tobacco taxes, grants, the unitary tax assessment, beer and wine taxes, fees, estate collections, child support collections, health care premiums, third party recoveries, and charges for services. Overall, Federal Funds support 58% of DHS expenditures. Federal Funds subject to expenditure limitation are 52% of DHS costs. The primary source of federal revenue, about 64%, comes from the federal Medicaid (title XIX) program. Nonlimited Federal Funds are for the Food Stamp and Women, Infants and Children (WIC) nutrition programs.

Budget Environment and Performance Measures

Major factors that affect the DHS budget include population changes; the number of people who are elderly, disabled or living in poverty; abuse of alcohol and drugs; inflation; and actions of the federal government. The need to offset the loss of tobacco tax revenues and federal matching funds for entitlement programs also drives General Fund costs. Since a large part of the Department's budget is devoted to providing health services, significant cost drivers are the high rate of inflation and utilization trend costs for medical care. These and other environmental factors are discussed in greater detail in the following pages as they apply to each DHS program.

The Department is linked to at least 15 Oregon Benchmarks and has identified four major goals with associated outcomes to measure if it is achieving the benchmarks and meeting the needs of the people it serves. The four major departmental goals are:

- People are living as independently as possible
- People are healthy
- People are safe
- People are able to support themselves and their families

Major strategies for achieving the goals include focusing on prevention and early intervention whenever possible; developing community partnerships; reducing the use of alcohol, drugs and tobacco; and facilitating interagency cooperation and collaboration. Workload and outcome measures are addressed in the DHS division analyses that follow this overview.

Governor's Budget

The Governor's recommended budget increases 11% over 1999-01 estimated expenditures and is slightly less (0.2%) than the cost of maintaining the current service level. The General Fund budget increases 18% over 1999-01 estimated expenditures, but is a 2.2% reduction from the current service level. Following are some of the issues addressed in the budget.

Oregon Children's Plan – Overall, the Governor's budget redirects $37 million in existing funds and adds $29 million in new resources for services collectively termed the "Oregon Children's Plan." Within the budgets of several agencies, the Plan focuses on prevention by directing resources toward high-risk children and their families. Included in DHS' part of the Plan are $3.5 million for mental health treatment for children and $10.5 million for substance abuse treatment for their parents.

Services for the Developmentally Disabled - Included in the budget are funds for system restructuring and service expansion for developmental disability services, as agreed to in the Staley v. Kitzhaber settlement ($43.3 million General Fund, $40.9 million Federal Funds, 34 positions, 28.46 FTE). Oregon's settlement of the case phases in improved access to developmental disability services, with an estimated cost of $350 million total funds for the six-year phase-in.

Service Delivery Adjustments – The budget eliminates staff (a total of 210.5 FTE) and services in the Senior and Disabled Services (SDSD), Adult and Family Services (AFS), and Vocational Rehabilitation (VRD) Divisions. In SDSD, funding for services to the least impaired clients is eliminated (survival priority levels 15-17), as is funding for Oregon Project Independence. For AFS, inflationary cost allowances for the Cash Assistance, Childcare, and JOBS programs are excluded, the JOBS Plus program is eliminated, the Cash Assistance grant is cut $5 per month, and childcare services are restricted. The budget eliminates the Sheltered Services program in VRD, along with all General Fund not needed to match Federal Funds.

Oregon Health Plan – Overall, the Oregon Health Plan (OHP) budget increases 20% over 1999-01 estimated expenditures, and the General Fund increases almost 37 percent. Most Oregon Health Plan services are maintained by adjusting factors that determine current service costs and assuming continuation of the 10-cent per pack tobacco tax that is scheduled to sunset in January 2002. Positions are added to handle increased workload due to more people being served on a fee-for-service rather than managed care basis. The budget assumes that drug management actions will be implemented; certain hospital rates will be reduced; and fee-for-service inflation rates will be half of the original projection.

Departmental Reorganization – The budget reduces overall expenditures by $8.2 million, including $3.9 million General Fund, for assumed savings from a departmental reorganization. Details of the reorganization are not described. The stated goal, however, is to improve program outcomes through better collaboration, integration and shared responsibility.

"No-flexibility" Caseload Projections – The budget is based on caseload forecasts that allow for no deviation from the projections. In past budgets, there has been some margin for minor variations in caseload levels, costs and the eligibility category of persons served by DHS programs. That flexibility has been removed, increasing the risk that a caseload driven budget shortfall could occur before the end of the 2001-03 biennium.

A more detailed analysis of each DHS division or office follows.

DHS/Adult and Family Services (AFS) – Division Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	215,338,657	222,165,933	230,830,646	203,923,787
Other Funds	50,521,160	58,640,884	117,993,085	120,303,826
Federal Funds	515,341,248	540,281,540	460,754,501	438,964,207
Nonlimited	293,763,155	381,364,439	438,109,915	438,109,915
Total	**1,074,964,220**	**1,202,452,796**	**1,247,688,147**	**1,201,301,735**
Positions (FTE)	1793.50	1832.00	1874.08	1747.67

** Based on the DHS rebalance plan approved by the Emergency Board in November 2000.*

Division Description

The Adult and Family Services Division (AFS) provides temporary financial assistance to families with children to assist them in meeting basic needs. In addition, the division offers training and subsidized childcare to help these families progress toward employment and self-sufficiency. Staff located in 57 branch offices (15 districts) determines eligibility for a variety of programs and provides case management services. The Division also administers the federal Food Stamp program, the Refugee Resettlement Program, the Motor Vehicle Accident Fund, and the Law Enforcement Medical Liability Account, and receives federal funding for the Child Support Enforcement Program functions that were transferred from AFS to the Department of Justice.

Budget Environment and Performance Measures

Federal welfare reform was initiated with the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). This act repealed the Aid to Families with Dependent Children (AFDC) program and combined its funding stream with several childcare and training programs into the Temporary Assistance for Needy Families (TANF) block grant program. More importantly, PRWORA refocused public assistance efforts on employment and self-sufficiency and requiring client participation as a condition for receiving benefits. Oregon's welfare reform actually began earlier than federal reform, but was similar in its emphasis upon self-sufficiency and independence. As a result, the Division has moved from simply determining eligibility and distributing cash benefits to working intensively with clients to help them find and maintain employment and work toward self-sufficiency.

On July 1, l996, Oregon implemented the state's version of welfare reform. Under the Oregon Option, there are fewer exemptions from requirements to participate in employment and training activities and greater penalties for non-cooperation. If necessary, recipients are required to participate in alcohol / drug abuse or mental health treatment programs. Minor parents are required to live with their parents or in another safe, approved living situation. The JOBS Plus program (described under Employment and Training) was expanded statewide. Subsequent federal welfare reform allows the state to continue operating under the Oregon Option until the year 2003.

Because ADC caseloads were significantly higher in 1994 than they are today, the state has been able to "save" TANF funds to use for program enhancements, to offset substantial General Fund expenditures, and as insurance against possible caseload increases. TANF cash assistance caseloads decreased from 41,173 cases in July 1994 to 18,214 cases in July 1998—a decrease of about 56 percent. Since July 1998, the caseload has continued to drop, but at a slower rate. In July 2000, the cash assistance caseload was 16,502—reflecting another 4% drop from the caseload level in July 1994.

Because PRWORA will sunset on September 30, 2002, Congress will need to consider reauthorization and with it, appropriate levels of TANF funding. In its deliberation, Congress will likely think about a number of factors including four that are described below.

Cash Assistance Caseload Reductions and TANF Savings

Like Oregon, many other states have witnessed significant cash assistance caseload reductions. Funds that would have been used for cash assistance have been freed up to use on other kinds of TANF programs such as training, childcare, or teen pregnancy prevention. However, many states have been unable to spend TANF savings from caseload reductions, and have instead accumulated large amounts of unobligated federal TANF funds. Congress may conclude that states simply have too much TANF and that the overall spending level can be reduced without harming welfare reform efforts. Although AFS projects a modest amount of TANF carryover from the 1999-01 biennium to the 2001-03 biennium of between $11 million and $13 million, the Governor's budget assumes the use of all excess TANF.

Use of TANF Savings to Replace State Funds

In its reauthorization deliberations Congress may also consider the extent to which states supplant their general fund support for TANF programs with federal TANF savings. Although states must adhere to "maintenance of effort" requirements, some have used federal TANF funds to replace state funds counted as maintenance of effort that are above this requirement. In Oregon, non-federal support must be maintained at 75% of the state contribution in the base year (1994-95). Thus, state support, either from the General Fund or other state resources, must equal at least $183.6 million per biennium. This state support has, in the past, come from several agencies including the State Office for Services to Children and Families (SCF), the Employment Department and the Department of Education, the Office of Alcohol and Drug Abuse Programs, as well as AFS. The 1999 Legislative Assembly and Governor used about $40 million of TANF to fund programs in SCF that were previously supported with General Fund. In the summer of 2000, representatives from the General Accounting Office visited Oregon to discuss this use of TANF funds. They will visit other states as well and make recommendations to Congress about the practice of replacing state funding with excess TANF funds.

Studies of Former Welfare Recipients

Third, Congress will likely consider research that focuses on those who have left cash assistance caseloads. In a national study of welfare leavers, the Urban Institute compared former welfare recipients with "near poor" and "low-income" mothers. It found similarities in the three groups as well as significant differences. The study found that former welfare recipients had somewhat higher total monthly earnings and were much more likely to be receiving other governmental benefits such as food stamps or Medicaid health coverage than the other two groups. Welfare leavers were more likely to be having difficulties providing sufficient food and shelter for their families. Almost 57% of former recipients sometimes or often worried that food might run out before they had money to buy more and 38% had a time when they were not able to pay mortgage, rent, or utility bills. The Urban Institute hypothesizes that former welfare recipients are struggling because they are still adjusting to the move from welfare. The study also notes many similarities between the three groups and suggests that governmental policies should focus on improving the status of all low-income families, not just those who have left welfare. The author of the Urban Institute study believes that considerable proportions of all three groups do not receive benefits to which they may be entitled, such as food stamps, health care, or subsidized childcare.

In Oregon, AFS contracted with the University of Oregon's Center for the Study of Women in Society to do a study of Oregon's welfare leavers. A preliminary report, issued in January 2000 indicated that 64% of former welfare recipients were working. Of those working, 77% had earnings less than $1,200 per month. In 1999, when the study was conducted, the federal poverty level for a family of three was about $1,157 per month. Ninety-seven percent of survey respondents indicated they were better off working than on cash assistance. The complete University of Oregon study is likely to be released in the late fall of 2000.

National and State Poverty Rates

Congress may consider recent changes in poverty rates. The chart below shows U.S. Census Bureau survey poverty data. The figures are two-year averages of the percent of persons living in poverty.

	1998 - 99	1997 – 98	1996 – 97	1995 – 96	1994 - 95
United States	12.3	13.0	13.5	13.8	14.2
Oregon	13.8	13.3	11.7	11.5	11.5

These data show that the national two-year averages went down from 1994 to 1999. During the same time, the two-year average percentages of Oregonians living in poverty remained roughly stable or rose insignificantly, given the standard error inherent in the survey data.

Given this backdrop of significant caseload reductions and TANF reserves in many states, the practice of using federal TANF funds to replace state funds, studies of welfare leavers and the working poor, and the decline in national poverty rates, Congress may change PRWORA during its reauthorization process. If Congress does make changes (including TANF funding levels), these may have an effect beginning October 1, 2002—15 months into the 2001-03 biennium.

AFS uses nine performance measures to gauge its performance. These measures range from the average starting wage for full-time job placements to the level of diversity within the AFS workforce. Six of the measures are linked directly with a specific program area, and are described below. Three of the measures are agency-wide gauges of the performance of four of the agency's main programs—Cash Assistance, Emergency Assistance, Child Care, and Food Stamps (Other Public Assistance). These three measures are listed below along with 1999 data and performance goals or targets.

- Cash assistance cases per 1,000 Oregonians. The rate for 1999 is 5.3 cases per 1,000 Oregonians. One goal of AFS is to reduce this rate. This rate is linked to the benchmark that measures the percentage of Oregonians with incomes below 100% of the federal poverty level. The target for the performance measure is 5.7 cases per 1,000.
- Percentage of families who remain off of cash assistance 18 months after their cases were closed because of employment. In 1999, this percentage was 93 percent. The target established by the agency is 92 percent.
- Percentage of teen parents in school. In 1999 this percentage was 95 percent. The goal is 100 percent.

In addition to the three measures listed above, AFS also monitors job placements as a percentage of cash assistance cases. In 1999, the percentage was 9.3 percent.

Governor's Budget

The Governor's budget for AFS is $1,201.3 million total funds. This is a $46.4 million total funds reduction to the current service level ($26.9 million General Fund). The Governor's budget reduces or eliminates funding for several programs that are listed below.

- The budget eliminates inflation in the cash assistance, JOBS training, and child care programs ($11 million General Fund).
- It cuts the cash assistance grant by $5 per month ($3.1 million General Fund).
- The proposed budget eliminates child care services for children aged 13 ($5.2 million General Fund).
- The budget reduces job retention services by $11.8 million General Fund.
- The Governor's budget reduces administrative and program delivery positions by a total of 126.41 FTE ($6.1 million General Fund and $5.0 Federal Funds).
- It does not replace lost Unemployment Insurance diversion funding of $25.1 million Other Funds for the JOBS Plus program that comes from the Employment Department during the 1999-01 biennium. (The diversion fund is expected to be depleted by the end of the 1999-01 biennium.)
- The budget eliminates additional General Fund ($1.2 million) and Federal Funds ($15.2 million) used to fund the JOBS Plus program for clients not eligible for Unemployment Insurance.
- The proposed budget assumes $1.6 million total funds ($1.2 million General Fund and $0.4 million Federal Funds) saved from DHS reorganization.

The Governor's budget includes $13.1 million General Fund to replace lost federal Welfare to Work resources in the agency's employment and training programs. It does not include funding to continue child care policy changes that were implemented in March 2000 that reduced client co-payments.

The Governor's budget makes three assumptions that need to be considered. First, the cash assistance budget is based upon the assumption that the cash assistance caseload for single parents will increase from between 14,500 - 15,000 at the end of the 1999-01 biennium to an average caseload of 15,900 during the 2001-03 biennium. Second, the budget anticipates that a renewed coordinated effort among work force agencies such as AFS, community colleges, and the Employment Department will compensate for the reduction of job retention services in the AFS budget. Third, the Governor's state budget does not identify (or perhaps contain) sufficient state funds to meet TANF maintenance of effort requirements. The Governor's budget assumes that additional maintenance of effort funds will be identified in the Department of Education's Oregon pre-Kindergarten program, the Family Health Insurance Assistance Program within the Insurance Pool Governing Board, or within the Governor's Children's Plan initiative.

These three assumptions together with the Governor's proposed reductions pose some risks. If, for example, the cash assistance caseload grows faster than assumed, AFS may need additional funding during the 2001-03 biennium or it may need to further scale back other client services to increase available funding for cash assistance grants. If, the work force agencies cannot compensate for job retention service reductions by fostering greater cooperation, some former cash assistance clients may lose work and return to the welfare rolls. If sufficient maintenance of effort funds cannot be identified, additional resources may be needed to avoid financial penalties and subsequent reductions to the federal TANF grant. In sum, there is uncertainty about the effects of the proposed budget reductions coupled with the underlying assumptions mentioned above.

AFS – Cash Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	45,976,100	23,840,986	11,400,568	4,277,619
Other Funds	1,300,575	1,259,784	15,265,391	15,265,391
Federal Funds	132,716,297	129,306,466	130,994,678	130,994,678
Total	**179,992,972**	**154,407,236**	**157,660,637**	**150,537,688**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This program, formerly referred to as Aid to Dependent Children (ADC), provides cash assistance, which, when coupled with food stamps, is structured to supply minimal support for families with children under the age of 19 that meet eligibility criteria. Alone, the current maximum cash assistance grant of $515 for a three-person family is approximately 44% of the Federal Poverty Level (FPL). In combination with a Food Stamps benefit of $291, families receive about 68% of FPL. For a family of three, the FPL for the year 2000 is $1,179 / month or $14,150 / year. A full-time minimum wage job in Oregon produces wages equal to about 92% of the FPL. As the household income from other sources increases, the size of the Cash Assistance grant is reduced. Families of three earning more than about 52% of FPL are not eligible for cash assistance.

Revenue Sources and Relationships

Prior to the passage of PRWORA, Federal Funds supported approximately 61% of cash assistance costs as an entitlement under Title IV-A of the Social Security Act (Aid to Families with Dependent Children). With the passage of federal welfare reform, effective October 1, 1996, the ADC entitlement was eliminated and replaced with a block grant called Temporary Assistance for Needy Families (TANF). The block grant amount is based on 1994 revenue and caseload levels and is expected to be about $335.8 million. In addition, AFS anticipates it will have $13.4 million of TANF to carryover from the 1999-01 biennium to the 2001-03 biennium. Thus total federal TANF resources are estimated to be about $349.2 million. The Governor's budget allocates $261.1 million of TANF to AFS. Another $79.7 million is allocated to the State Office for Services to Children and Families and $2 million of TANF is used to support the Office for Alcohol and Drug Abuse Programs within the Director's Office. Oregon's Native American tribes receive about $2.6 million of the TANF block grant. The Governor's budget leaves about $2.8 million of TANF carryover from the 2001-03 biennium to the 2003-05 biennium.

Budget Environment and Performance Measures

As mentioned above, the number of families receiving cash assistance has declined dramatically since 1994 and is expected to continue to decline through the 2001-03 biennium. The most rapid rate of reduction occurred from about March 1995 until March 1998. Interestingly, the number of persons entering the cash assistance caseload reversed a three-year downward trend during the fall of 1997 and began to increase. Since then, the caseload has continued to decline, but at a much slower pace.

The overall reduction can be attributed to a combination of factors including the state's expanding economy, AFS efforts to place clients in jobs, improved childcare programs, and the opportunity to receive medical coverage under the Oregon Health Plan without being on cash assistance. As cash assistance caseloads have declined, there has been a corresponding increase in employment and training participants and day care program caseload.

The remaining cash assistance caseload includes, but is not limited to, child-only cases and cases with persons who have multiple barriers to employment. Child-only cases typically consist of children whose families are eligible for TANF cash assistance, but who live with a non-parent, such as a grandparent. Barriers to employment include drug and alcohol problems, lack of reliable transportation or childcare, or a work disability such as mental illness.

AFS has no performance measures that are specific to this program. However, as discussed above, the agency uses three agency-wide measures to gauge overall program performance.

Governor's Budget

The Governor's budget of $150.5 million is $7.1 million or 5% lower than the current service level. The reduction, all General Fund, is the result of two adjustments – the elimination of $4 million for inflation and a $3.1 million cut generated by reducing the cash assistance grant by 5 dollars.

The current service level reflects a $14.1 million fund shift that removes General Fund and adds available Other Funds. The source of the Other Funds is federal Child Care and Development Fund (CCDF) resources from the Employment Department. Prior to this biennium, the federal funds were transferred from the Employment Department to AFS. In the 2001-03 Governor's budget, the funds are paid to AFS and included in the budget as Other Funds. Because CCDF resources cannot be used to make cash assistance payments, this fund shift should have been made in the Child Care Programs budget. A technical adjustment during the Legislative Session can rectify this situation.

The Governor's budget assumes an increase in cash assistance caseload. AFS expects its TANF one-parent caseload to be between 14,500 and 15,000 by the end of the 1999-01 biennium. The Governor's budget assumes an average monthly caseload of about 15,900 during the 2001-03 biennium. Proposed budgetary cuts to the agency's training and job retention programs, as well as the elimination of child care program refinements begun in March 2000, could lead to a higher Cash Assistance caseload. How much higher is a matter of speculation. Cash Assistance caseload levels depend on a number of factors including management actions and whether other state workforce agencies are able to compensate for the cuts in AFS training programs. But the Cash Assistance caseload could grow faster than the rate assumed in the Governor's budget.

AFS – Emergency Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,503,783	3,734,750	7,404,138	7,404,138
Other Funds	4,544	0	0	0
Federal Funds	6,838,499	8,701,493	8,924,342	8,924,342
Total	**9,346,826**	**12,436,243**	**16,328,480**	**16,328,480**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Emergency Assistance program provides help for families with children under age 18 who have no other financial resources and find themselves in an emergency situation caused by circumstances beyond their control. The purpose of the program is to prevent households from becoming dependent on more expensive long-term public assistance—in other words, diverting persons from the cash assistance caseload.

Over the last year, AFS has provided training to its caseworkers so they can better identify situations of domestic violence. As a result, the Emergency Assistance program has increasingly provided assistance to victims of domestic violence who need emergency shelter and other services. Other uses include medical costs, food purchases, moving costs, and the payment of property taxes to avoid foreclosure and homelessness. Assistance is available for only one month in any 12-month period. The maximum payment is $350 except in cases involving domestic violence, where the maximum is $1,200, or to stabilize chronic housing problems through Community Action Agencies, where the maximum is $7,200. So far, the average expenditure during 1999-01 has been $387 per case.

Revenue Sources and Relationships

Prior to federal welfare reform, Emergency Assistance was an optional federal program. State expenditures, including those from the Housing and Community Services Department for assistance to the homeless, were matched with federal dollars on a 50-50 basis. With the passage of federal welfare reform, the program is now part of the Temporary Assistance to Needy Families (TANF) block grant.

Budget Environment and Performance Measures

Expenditures in this program are designed to avoid long-term reliance on public assistance programs. Reductions to the program may result in increased costs for other human resources programs such as the agency's cash assistance program or other domestic violence programs.

AFS has no performance measures that are specific to this program. However, as discussed above, the agency uses three agency-wide measures to gauge overall program performance.

Governor's Budget

The Governor's budget funds the current service level for the Emergency Assistance program. The Governor's budget (and current service level) is $3.7 million General Fund or almost double the 1999-01 General Fund estimated expenditure level. Of this increase, $0.4 million is attributable to cost inflation. The remaining $3.3 million is the result of an increase in the number of domestic violence victims who are being identified by caseworkers and served using the Emergency Assistance program. The Governor's budget (and current service level) represents a 31% Total Funds increase above the 1999-01 estimated expenditures.

AFS – Child Care Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	23,216,088	25,907,165	30,042,375	20,982,363
Other Funds	674,639	0	67,560,483	69,390,932
Federal Funds	68,047,979	74,836,283	7,531,600	5,546,305
Total	**91,938,706**	**100,743,448**	**105,134,458**	**95,919,600**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Child Care Program, also known as Employment Related Day Care (ERDC) is designed to encourage employment by subsidizing childcare services to former or potential cash assistance recipients or persons currently on cash assistance who are participating in training programs. Clients pay a minimum co-payment and the Division subsidizes the remaining cost on a sliding scale that is based upon the client's income and the number of children needing childcare services. Most of the childcare providers are relatives or friends of former cash assistance recipients who work and need childcare services.

Revenue Sources and Relationships

Under federal welfare reform, childcare programs are incorporated into the Temporary Assistance for Needy Families Block Grant. The primary sources of Federal Funds for support of childcare are TANF, the Child Care and Development Fund (CCDF), and the Social Services Block Grant (Title XX of the Social Security Act). The Employment Department is the designated state recipient of the CCDF. The Employment Department may receive up to $110.7 million of CCDF during the 2001-03 biennium—a significant increase over the prior biennium. During the 1999-01 biennium, $73.1 million, or about 80% of Oregon's total CCDF revenue will be transferred to AFS for use in the childcare program. The remaining amount is used within the Employment Department to fund childcare regulatory activities, childcare for special populations such as migrant workers, and childcare resource and referral centers. AFS expects to receive about $9.4 million in Social Services Block Grant funds during the 2001-03 biennium and to use the majority of them for childcare.

Budget Environment and Performance Measures

One of the most significant barriers to work facing most cash assistance recipients and low-income working families is lack of affordable childcare. This program attempts to remove that barrier.

As the Cash Assistance caseload dropped from July 1994 until July 1998, the ERDC program caseload rose steadily. Clearly, as persons left the cash assistance caseload, many of them were making use of subsidized childcare. Reductions in the Cash Assistance caseload were very good predictors of increases in ERDC. Between August 1998 and early 2000, however, the relationship between the two caseloads is much less robust. In fact, variations in the Cash Assistance caseload from month to month were poor predictors of ERDC caseload changes.

On March 1, 2000, AFS made three significant changes to its childcare program. First, it limited the required co-payment for the first two months a family is receiving ERDC to $25 per month. Second, it removed ERDC-related income disincentives for clients to earn more income. The previous co-payment schedule created situations at some income levels where the co-payment would increase more than the client's income increased. Third, it linked the co-payment schedule to the 2000 federal poverty level (FPL) rather than the 1998 FPL. The cost of this program enhancement was estimated at $8.2 million and $9.9 million for the 1999-01 and 2001-03 biennia, respectively. The April 2000 Emergency Board allowed the policy change to be implemented, but requested the Department of Administrative Services to identify the costs of the co-payment policy change as a policy package in the agency's 2001-03 proposed budget.

The effects of this policy change on caseload are uncertain. Since March 2000, the Cash Assistance caseload has decreased and the ERDC caseload has concurrently increased—although statistically, the relationship is not as strong as it was from July 1995 through July 1998. This probably means that Cash Assistance caseload declines continue to be the predominate factor driving ERDC caseload increases—but not the only factor. The policy changes were focused in part, on reducing co-payments for persons at higher income levels who were already receiving ERDC (i.e. as a job retention strategy). If the policy is working in this regard, it may be that persons already receiving ERDC remain on that caseload for longer periods of time. On the other hand, it may indicate that more low-income persons who were not receiving cash assistance entered the ERDC caseload. Analysis of the numbers and characteristics of those entering and exiting the ERDC caseload over time could allow decision-makers the opportunity to assess the effects of the policy change. This analysis has yet to be done.

AFS has no performance measures that are specific to this program. However, as discussed above, the agency uses three agency-wide measures to gauge overall program performance.

Governor's Budget

The Governor's budget of $95.9 million total funds is $9.2 million or 9% lower than the current service level of $105.1 million. The $9.2 million overall decrease is the result of three adjustments that are described below.

- The Governor's budget eliminates daycare services for children aged 13—about 500 children. This reduces the budget by $5.4 million—all of it, General Fund.
- The proposed budget eliminates funding for inflation of $3.8 million General Fund.
- The budget initially eliminates the daycare program for post-secondary students funded primarily with federal TANF resources and a modest amount of General Fund ($62,932). The total reduction amounts to $2 million. Most ($1.8 million) of the program is restored with Other Funds revenue from the Employment Department. The source of the funds is the federal Child Care and Develop Fund (CCDF). Because these funds are, beginning in the 2001-03 biennium, paid to AFS rather than transferred to AFS as Federal Funds, they are represented in the AFS budget as Other Funds. The caseload for this program is reduced from 250 cases to 238 cases. The funds to restore the post-secondary daycare program are included as a policy option package in the Governor's budget for the Employment Department.

The current service level reflects the change noted above in the treatment of CCDF resources for budgetary purposes. Nearly $67.6 million of CCDF is included in the current service level. However, the funds are now included as Other Funds rather than as Federal Funds.

During the 1999-01 biennium, the ERDC caseload did not grow as rapidly as assumed in the Legislatively Adopted Budget. The estimated expenditures for 1999-01 listed above reflect this lower caseload, and the current service level for 2001-03 includes a $16.9 million Federal Funds adjustment that accommodates the lower caseload.

In addition, the ERDC policy changes implemented in March 2000 and discussed above have been excluded from the current service level and are not in the Governor's budget.

The ending ERDC caseload for the 1999-01 biennium is expected to be about 11,850. The average monthly caseload during the 2001-03 biennium is expected to be about 10,950 and reflects the changes included in the Governor's recommended budget.

AFS – Employment and Training Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	25,397,944	26,889,966	26,964,193	23,749,588
Other Funds	15,844,397	25,100,000	0	0
Federal Funds	94,915,563	97,053,577	86,643,554	71,520,037
Total	**136,157,904**	**149,043,543**	**113,607,747**	**95,269,625**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Employment and Training program includes the Job Opportunities and Basic Skills (JOBS) program, which became part of the Temporary Assistance for Needy Families Block Grant program under federal welfare reform. The JOBS program provides education, training, and job placement services to welfare clients with the goal of helping them get and keep a job. The program is administered through AFS, but services are delivered through an extensive network of community partners. Services include:

- *Basic Education*: High School Attendance, English as a Second Language, and Adult Basic Education or GED classes.
- *Life Skills*: Classes in time management, personal budgeting, and so forth, with an emphasis on enhancing self-esteem to prepare clients for the job market.
- *Job Search*: Improvement in skills necessary to secure a job, such as interviewing skills or resume preparation.
- *Job Skills Training*: Classroom training in vocational and technical skills.
- *JOBS Plus*: A program under the Oregon Option waiver that provides cash assistance clients with on-the-job training, while paying their benefits as wages from the work-site assignment.
- *On-the-Job Training (OJT)*: A program where JOBS participants work for a contracted period of time and the employer is partially compensated for providing the training.
- *Self-Initiated Training (SIT)*: Education or training initiated by the client (and approved by an AFS staff person) before they are selected for participation in the JOBS program.
- *Sheltered/Supported Work*: Intensive staff support, skill training, intervention and counseling.
- *Unemployed Parent Work Program*: A program designed for cash assistance clients in two-parent families where the primary wage earner is unemployed.
- *Work Experience*: Unpaid, short-term work meant to develop good work habits and basic vocational skills.
- *Work Supplementation*: Up to six-months of work-site training provided by an employer under contract.

The JOBS Plus program has been funded in part from an Unemployment Insurance tax diversion fund within the Employment Department. TANF clients who are eligible for unemployment insurance benefits are funded with diversion funds. (Other TANF clients can participate in JOBS Plus program but are funded with TANF funds.) AFS and the Employment Department expect the diversion funds to be depleted by the end of the 1999-01 biennium. AFS will spend about $25.1 million of diversion funds during the 1999-01 biennium. About $21.8 million of the diversion funds are used to pay JOBS Plus wages for Unemployment Insurance recipients who are not eligible for TANF or Food Stamps. The remaining $3.3 million are used to pay the wages of persons who are eligible for Unemployment Insurance and an AFS program such as TANF cash assistance or Food Stamps.

Revenue Sources and Relationships

Federal Funds for support of employment and training programs are from the TANF Block Grant. Two other significant sources of revenue for training programs will not be available during the 2001-03 biennium. The first, mentioned above, are JOBS Plus funds of $25.1 million from the Unemployment Insurance tax diversion fund. The second, is the federal Department of Labor Welfare to Work funds. This temporary grant was aimed at clients with multiple barriers to employment. AFS will spend about $13.1 million of federal Welfare to Work revenue during the 1999-01 biennium. The Governor's recommended budget replaces the lost Welfare Work funding with General Fund. It does not include additional funding to replace the JOBS Plus revenue from the Employment Department.

Budget Environment and Performance Measures

The JOBS programs compliment day care programs as ways to reduce cash assistance caseloads. As the cash assistance caseload declines, the remaining clients tend to be those that are harder to place and keep in employment. This problem is expected to continue in the foreseeable future.

AFS is also devising ways to help clients retain jobs and advance financially. These strategies could be used not only with former cash assistance clients, but also with low-income working persons who never received cash assistance and who want to move forward economically in their jobs. In September 2000, AFS applied for a federal grant for developing and evaluating employment retention and advancement strategies. If AFS receives the grant, it will work with the Manpower Demonstration Research Corporation, who will conduct the retention program evaluation.

AFS has one performance measure that relates directly to its training programs—the average wage for full-time job placements. In 1999, the wage was $7.42 per hour. In the quarter ending June 2000, the average full-time wage was $7.51 per hour. The agency's target for this measure is $7.57 per hour.

Governor's Budget

Overall, the Governor's budget of $95.3 million total funds is $53.8 million or 36% below the estimated expenditure level for the 1999-01 biennium of $149 million. The reduction is the result of three main changes.

- The Governor's budget does not restore $25.1 million of Unemployment Insurance (UI) diversion fund resources used to finance 900 JOBS Plus slots for clients eligible for UI benefits during the 1999-01 biennium. (The UI diversion fund, which held JOBS Plus funds, is expected to be depleted by the end of the 1999-01 biennium.) How or whether UI clients currently using this program will use other public assistance such as TANF cash assistance is unknown.
- The budget eliminates funding for all other JOBS Plus clients—those eligible for TANF cash assistance and Food Stamp benefits. This reduction is $16.4 million total funds--$1.2 million General Fund and $15.2 million Federal Funds. This cut will eliminate the remaining 550 JOBS Plus slots.
- The proposed budget reduces funding for job retention services by $11.8 million General Fund. The Governor's budget assumes that work force agencies such as AFS, the Employment Department, the Economic and Community Development Department, and community colleges will work together to compensate for this reduction and significantly increase their cooperative efforts to provide job retention services to current AFS clients. A cooperative plan to deliver services to AFS clients has not been completed, nor has additional funding been provided to the other work force agencies to offer new services in the Governor's budget.

The current service level reflects the loss of both the JOBS Plus diversion fund revenue ($25.1 million Other Funds) as well as the federal Welfare to Work resources ($13.1 million). The lost Welfare to Work funds are replaced in the Governor's budget with General Fund. The current service level also includes an additional $3.3 million of General Fund for inflation. The Governor's budget, however, eliminates the funding for inflation that is included in the current service level. The current service level also includes a $3.2 million fund shift that replaces General Fund with available federal TANF resources.

The number of those using training and job retention services is expected to decrease from 21,761 at the end of the 1999-01 biennium to an average of 16,121 during the 2001-03 biennium.

AFS – Other Public Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,385,672	1,443,705	1,478,922	1,478,922
Other Funds	4,495,690	3,859,894	4,260,304	4,260,304
Federal Funds	29,638,295	32,015,411	28,878,555	28,878,555
Nonlimited	293,763,155	381,364,439	438,109,915	438,109,915
Total	**329,282,812**	**418,683,449**	**472,727,696**	**472,727,696**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

In addition to the programs described above, AFS administers several other public assistance programs.

- The ***Food Stamp*** program is a federally funded benefit program to help low-income families, single adults and childless couples buy the food they need to stay healthy. Federal Funds pay for 100% of benefit costs and 50% of the cost of administering the program. Households that meet income and resource standards receive food coupons to buy food in approved stores. In July 2000, about 233,000 people in Oregon received benefits. The Food Stamp program replaced paper coupons with an electronic benefit transfer system similar to an automatic teller machine card system during the 1997-99 biennium. The benefits are included as non-limited funds and are expected to be about $457.8 million during the 2001-03 biennium.
- The ***Refugee Resettlement*** program is a federal program that provides cash assistance, medical assistance, case management, and employment-related services for refugees. Benefits are limited to 8 months for cash and medical assistance for refugees who are not eligible for AFS cash assistance through the Temporary Assistance to Needy Families program. Since the program began in 1975, approximately 43,762 refugees

have settled in Oregon. The program is funded entirely with Federal Funds. Revenue is expected to be about $13.9 million during the 2001-03 biennium.

- The ***Motor Vehicle Accident Fund (MVAF)*** pays for the medical expenses of indigent persons involved in motor vehicle accidents. The payments are funded from motor vehicle license fees. During the 1999-01 biennium, AFS transferred nearly $6.8 million to the Office of Medical Assistance Programs (OMAP) within the DHS Director's Office. These funds were in turn used in place of General Fund to match Federal Medicaid Funds.
- The ***Law Enforcement Medical Liability Account (LEMLA)*** pays for medical services for persons injured by police as a result of law enforcement apprehension. Claims are paid to medical service providers when efforts to recover costs from injured parties or their insurance companies fail. The account is fully funded from assessments added to fines as well as bail forfeitures. During the 1997-99 and 1999-01 biennia, revenue has exceeded claim and administrative costs. The beginning balance for the 2001-03 biennium is expected to be about $2.7 million. This balance has grown because expenditures from the fund have been less than the revenue generated from assessments to fines and bail forfeitures. LEMLA revenue is not transferred to OMAP and used to offset General Fund match for Medicaid because many persons whose medical costs are paid for by LEMLA are convicted of crimes and subsequently are ineligible for Medicaid.

Budget Environment and Performance Measures

In September 1999, the U.S. Department of Agriculture (USDA) released a report about the prevalence of food insecurity and hunger in the United States for the years 1996 – 1998. The USDA defines food insecurity as "limited or uncertain availability of nutritionally adequate and safe foods or limited or uncertain ability to acquire acceptable foods in socially acceptable ways." Oregon ranked sixth in the country for the percentage of households who are food insecure (12.6%) and first in the country for the percentage of households who are food insecure and hungry (5.8 percent). AFS states that "[f]ood insecurity in Oregon is caused by a number of factors including high housing costs and low wage jobs that often force low-income Oregonians to choose between paying their rent or feeding themselves."

In response to the problem of hunger in Oregon, AFS has taken several steps. First, the agency held community forums throughout the state to discuss how the Food Stamp program could be made more accessible. The Food Stamp program is one of several significant governmental programs designed to assist low-come persons acquire the food they need. Second, AFS conducted workshops for non-profit agency staff to improve their knowledge of AFS programs and eligibility standards. Third, in conjunction with advocates, AFS is working to increase food stamp outreach efforts throughout the state. Fourth, the agency has made several policy changes to its Food Stamp program to enhance participation. These changes include allowing clients who qualify for Employment-Related Day Care, Housing Stabilization, Refugee Assistance, and TANF programs, to also qualify for food stamps without consideration for their gross income and resources. Other policy changes are piloting a shortened application for food stamps and testing flexible AFS office hours to provide more convenient reapplication for food stamps.

Finally, AFS has applied for various Food Stamp program waivers that it believes will increase participation by eligible Oregonians. Welfare reform in 1996 limited Food Stamp benefits for able-bodied adults without dependents (ABAWDs) to three months of eligibility over a three-year period. In spring 2000, AFS sought and received a waiver from the USDA that declared 30 of Oregon's 36 counties as labor-surplus areas. This waiver allows AFS to remove the Food Stamp benefit time limit for ABAWDs living in these 30 counties. AFS also used its allocation of discretionary time-limit exemptions for ABAWDs to effectively remove the time limit for those living in the remaining six counties. In addition to the ABAWD waiver, AFS has also applied and received conditional approval for several other Food Stamp waivers. These waivers would allow AFS to disregard vehicle value and to simplify the procedures for verifying medical expenses when considered Food Stamp benefit eligibility and levels.

AFS has no performance measures that are specific to this program. However, as discussed above, the agency uses three agency-wide measures to gauge overall program performance.

Governor's Budget

The Governor's budget of $472.7 million funds the current service level and is $54.8 million higher than the expenditure estimate for the 1999-01 biennium. The increase is primarily the result of a higher Food Stamp caseload and adding non-limited Federal Funds to accommodate benefit payments. The 1999-01 average monthly caseload is expected to be about 117,000 cases. The Governor's budget assumes a caseload of 121,650.

In addition to the higher level of Food Stamp benefits the Governor's budget also includes inflationary cost increases and a reduction of $4.2 million Federal Funds in the Food Stamp program that accommodate 1999-01 caseload decreases in the Cash- out program. The Cash-out option allows senior citizens to receive their Food Stamp benefit in the form of cash rather than an electronic benefits card. It originated because program managers were concerned that senior citizens would forego Food Stamp benefits because of the stigma they attached to food stamps. Since then, all food stamp recipients receive an electronic benefits card. This may have reduced worries about the stigma and with it, interest in the Cash-out program.

AFS – Prevention Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	480,933	657,407	657,407
Other Funds	0	448,996	467,352	467,352
Federal Funds	0	1,037,309	1,284,377	1,284,377
Total	**0**	**1,967,238**	**2,409,136**	**2,409,136**
Positions (FTE)	0.00	3.00	3.00	3.00

Program Description

One of the objectives of welfare reform is to "prevent and reduce the incidence of out-of-wedlock pregnancies and establish numerical goals for preventing and reducing the incidence of these pregnancies." Prior to the 1999-01 biennium, most of the funds used to reduce teen pregnancy within DHS were located in the Health Division. Some of these funds still reside within the Health Division, but three specific programs were transferred during the 1999-01 biennium from the Health Division to AFS.

The three main programs are the AmeriCorps project, the Student Today Aren't Ready for Sex (STARS), and the Reduce Adolescent Pregnancy Partnership (RAPP). The AmeriCorps is a national service program that serves communities in a variety of capacities. In Oregon, there are 20 AmeriCorps members working in 14 counties focusing on teen pregnancy prevention. The STARS program is an abstinence education program aimed at sixth and seventh graders and taught by trained teen leaders. STARS is a skills-based program to teach children ways to resist peer pressure and sexual involvement. The program reaches nearly 28,000 middle school children each year. At the behest of the Legislature, AFS added three alternate abstinence education programs during the 1999-01 biennium. The RAPP is a network of local community members dedicated to reducing teenage pregnancy in their communities.

Revenue Sources and Relationships

The Governor's budget includes $1.3 million of Federal TANF funds and $0.5 million Other Funds. The Other Funds include $0.3 million of AmeriCorp funds.

Budget Environment and Performance Measures

AFS notes that at least 50% of TANF cash assistance cases consist of families headed by women who are or were teen mothers. Although there is a clear link between teen pregnancy, poverty, and the use of cash assistance programs, lawmakers have been reluctant to develop a unified policy to address the issue of teen pregnancy. A Joint Legislative Audit Committee (JLAC) draft report on children's programs notes that, "[t]here is virtually no policy or program direction in statute for teen pregnancy prevention." "This may reflect more the controversial nature of the issue than its importance." Decision-makers are divided as to whether pregnancy prevention efforts should focus exclusively on abstinence or whether these efforts should involve discussions of birth control, or some combination of both approaches. Moreover, they are not certain about who should carry the message.

Aside from the controversy, however, is the problem of evaluating existing teen pregnancy prevention programs. Good research is costly and a direct linkage between a declining teen pregnancy rate and governmental or education prevention programs aimed at prevention is almost impossible to establish. As the JLAC report states, "'Best practices' in the area of teen pregnancy prevention suggest a multi-pronged, comprehensive approach is more effective than any one program'." Determining an appropriate programmatic level and budget given the controversial nature of the issue and limited understanding of a solution is difficult.

Two facts stand out in the swirl of controversy and uncertainty. The first is that teens who are at risk for pregnancy are also those who are at risk for other preventable behaviors such as substance abuse, violence, tobacco use, and suicidal thoughts and attempts. Other programs that attempt to combat these behaviors could help in efforts to reduce teen pregnancy. Second, the United States has higher rates of teen pregnancy than many western European countries. The U.S. rate of pregnancy for women 15 – 19 was recently 51/1000. In contrast, the rate in Germany was 14/1000 and in the Netherlands was 4/1000. Perhaps the prevention approaches used in these countries could be informative to decision-makers in Oregon.

Until recently, one of the benchmarks was the pregnancy rate per 1,000 females age 10 – 17. AFS uses this former benchmark as a performance measure. The rate declined from 24.7 in 1980 to 15.9 in 1999. The rolling annual rate is 15.1 for the year ending September 30, 2000. The Oregon Progress Board recently modified the benchmark, splitting one rate into two rates. The first is the pregnancy rate for females age 10 – 14, and the second is the rate for females age 15 – 17. The rate for the younger group has remained level—between 1.5 and 1.7 over the years. The pregnancy rate for females 15 – 17 has declined from about 52.2 in 1990 to about 42.1 in 1998. The AFS goal for this performance measure is 15 pregnancies per 1,000 females age 10 – 17 in 2000 and 10 per 1,000 in 2010.

Governor's Budget

The Governor's budget of $2.4 million total funds provides limitation sufficient for the current service level. This represents a $0.4 million increase above the 1999-01 estimated expenditure level. The increase is primarily the result of including funding for two years of alternative abstinence education programs that were added during the 1999-01 biennium.

As noted in the revenue section above, this program includes $0.5 million of Other Funds revenue--$0.3 million from AmeriCorp. During the 1999-01 biennium, the STARS Foundation provided another $0.2 million that was used by AFS to make payments to schools who conducted STARS training programs. The STARS Foundation has initially indicated that it will make the payments directly during the 2001-03 biennium. Consequently, AFS may not require $0.2 million of limitation included in its budget to make these STARS school payments.

AFS – Child Support Recovery Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	5,237,729	8,391,070	8,391,070
Other Funds	19,279,751	19,848,078	18,534,422	19,045,203
Federal Funds	48,924,482	60,613,274	61,348,617	62,340,134
Total	**68,204,233**	**85,699,081**	**88,274,109**	**89,776,407**
Positions (FTE)	10.00	0.00	0.00	0.00

Program Description

A fundamental part of welfare reform was the renewed interest in collecting child support payments from non-custodial parents. Child support can increase a single parent family's income and makes it less likely the family will need additional income support from governmental sources, such as cash assistance.

SB 1101, passed by the 1997 Legislative Assembly transferred the Child Support Accounting Unit from AFS to the Department of Justice's Support Enforcement Division (SED) effective October 1, 1998. Prior to the transfer, AFS contracted with SED and District Attorneys to provide enforcement services only. The purpose of the transfer was to centralize all child support functions to provide better service. AFS now contracts with SED to perform both the accounting and enforcement functions. Services are routinely provided to families receiving AFS income assistance or Medicaid benefits and for foster care cases handled by the State Office for Services to Children and Families. Families not on public assistance are served if they request help.

Because the process of collecting child support is an integral part of welfare reform and responsibility for administering the federal funding lies within AFS, the agency's child support budget represents the amount of a special payment made to both SED and District Attorneys.

SED receives the child support payments from absent parents and distributes the collections to the families. When the family is receiving public assistance, the amount collected goes to AFS to offset the cost of providing the income assistance grant.

Revenue Sources and Relationships

The federal government pays 66% of all program costs. The state pays the remaining 34% with General Fund and its share of child support collections; counties fund the 34% local match for district attorneys' expenditures.

When Congress made reforms to welfare it correctly assumed cash assistance caseloads would decline and with them, the amount of child support revenue going to the state. To remove any disincentive to reduce cash assistance caseloads, Congress included a "hold harmless" provision that effectively reimbursed states for any lost child support revenue resulting from the lower caseloads. During the 1999-01 biennium, Congress repealed this provision. This reduced the anticipated child support revenue to fund AFS programs by about $3.6 million.

In addition to repealing the "hold harmless" provision, Congress also changed the way child support collections were distributed to former cash assistance clients and to state governments. Overdue child support payments are now (as of October 1, 2000) paid to former clients before they are paid to state governments. (The change does not include payments that are overdue since before welfare reform.) This change, like the repeal of the "hold harmless" provision is expected to reduce child support collections available to fund this program. The amount of the reduction, however, is not known.

AFS and the Department of Justice expect to collect $590.6 million of child support during the 2001-03 biennium. About $23.1 million of these collections are associated with families receiving cash assistance and can be used to offset state costs for AFS and Department of Justice child support collection efforts.

Budget Environment and Performance Measures

Total child support collections are expected to increase, but the amount available to offset General Fund expenditures is expected to continue to decline along with the number of families on the cash assistance caseload. Although collections may not directly offset AFS costs, the income that families receive from support collections helps keep them out of poverty and above the income level that would qualify them for cash assistance.

Prior to federal welfare reform in 1996, states were required to pass through the first $50 of child support collected to the family, even though they were receiving cash assistance under the former Aid to Dependent Children (ADC) program. In addition, states had to "disregard" the $50 pass through when calculating the family's ADC benefits. Collections above the $50 went to offset state and federal costs for the cash assistance benefit. Under PRWORA, the federal government no longer allowed its share of the $50 to be passed on to the family. (The federal share was based upon the Medicaid match rate.) In other words, a state could continue the $50 pass-through policy, but would absorb the entire cost within its share of child support collections. Oregon chose to eliminate the $50 pass-through policy.

Congress is reconsidering the changes it made to the pass-through child support policy. Critics of the changes made during welfare reform argue that eliminating the pass-through payment (as well as the disregard) also eliminated an important incentive for non-custodial parents to make the payment in the first place. If non-custodial parents see their children (rather than the state or federal government) benefiting from child support payments, critics reason, then these parents will be more likely to continue making payments. Making payments, in turn can lead to a closer and more positive relationship between non-custodial parents and their children. Whether or how Congress will change child support laws is uncertain. If changes are made, however, the amount of child support payments that can be used to offset state expenses will probably decrease.

AFS management uses one measure within this program to assess performance: the total amount of child support collected each quarter. During the four quarters of 1999, the SED collected $63 million, $73 million, $62 million, and $60 million. The target for the 2001-03 biennium is $73.8 million per quarter—slightly higher than the average of $64.5 million collected each quarter during 1999.

Governor's Budget

The Governor's budget of $89.8 million total funds is $1.5 million or about 2% higher than the current service level. The increase results from the addition of one policy package ($0.5 million Other Funds and $1 million

Federal Funds). This policy package is a companion to one proposed by the Department of Justice, SED. If approved, the package would permanently fund 19 positions (18.25 FTE) that were limited duration positions in the 1999-01 biennium. Of the total funds budget of $89.8 million, $79.9 million would be paid to SED. The remaining $9.9 million will be paid to county district attorney offices.

The current service level of $8.4 million General Fund is about $3.2 million higher than the 1999-01 estimated expenditure level. The General Fund increase is the result of adding inflation as well as replacing one-time Other and Federal Funds revenue of $2.5 million that was carried over from the 1997-99 biennium to the 1999-01 biennium. The General Fund increase is partially offset by removing personal service and service and supplies costs related to the limited duration positions noted above.

The Governor's budget assumes that the Support Enforcement Division will generate child support collection revenue for the operation of this program of about $23.1 million Other Funds ($19 million in this program, $3.2 million in Administration and Program Support, and $0.9 million in the Cash Assistance program.) To reach this goal, given the Congressional changes discussed above, the Support Enforcement Division has been asked change its priorities and to focus more intensive collection efforts on behalf of welfare cases.

AFS – Program Delivery Field Staff

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	73,526,953	91,144,724	99,472,312	94,475,457
Other Funds	1,654,372	2,598,932	5,911,855	5,911,855
Federal Funds	74,251,862	85,664,404	83,927,078	80,084,596
Total	**149,433,187**	**179,408,060**	**189,311,245**	**180,471,908**
Positions (FTE)	1467.50	1538.58	1581.08	1481.67

Program Description

This area includes the field staff and associated costs located in the 15 districts and 57 branch offices and "out-stations." This staff is responsible for client eligibility, case management, and other direct services for all programs administered by AFS and for determining eligibility for the Oregon Health Plan (OHP). The district managers are also responsible for administering the JOBS contracts in their districts.

Revenue Sources and Relationships

Primary sources of non-state support are the federal TANF grant, federal funds for matching administrative costs of the Food Stamp program, and Title XIX Medicaid funds. Medicaid funds partially support the cost of OHP eligibility determination. Other Federal Funds are shares of the Child Care Development Fund, Title XXI (Child Health Insurance Program), and Refugee Resettlement funds to support the delivery of services. Other Funds revenue includes $162,859 of Food Stamp overpayment collections and $994,261 of Tobacco Tax revenue.

Budget Environment and Performance Measures

In the past, staffing standards have determined the number of field or direct client staff available to each district. As the number of clients increased or decreased, the district received an increased or decreased staff allocation. After welfare reform, staff work shifted from the determination of benefit eligibility to more intensive case-management aimed at helping clients acquire jobs. Because of this shift in emphasis, neither the agency nor the Legislature has reduced the number of field staff even though cash assistance caseloads have decreased significantly over the last six years.

AFS uses the percentage of eligibility decisions processed within required time frames as a measure of program performance. AFS field staff determines eligibility for cash assistance, food stamps, and the Oregon Health Plan. During 1999, 96.2% of all eligibility decisions were made within the required time frames. Decisions must be made in 45 days for cash assistance and the Oregon Health Plan. Food Stamp eligibility decisions must be made in 30 days unless the applicant is eligible for "expedited service." Expedited service cases must be made in seven days. Homeless persons, migrant farm workers, and persons with extremely low income and cash assets are eligible for expedited service. The goal for "on-time" decisions is 100 percent.

Governor's Budget

The Governor's budget of $180.5 million is $8.8 million total funds or 5% below the current service level. The reduction is the result of cutting 99.41 FTE and decreases General Fund limitation by $5 million. The current service level reflects allowances for inflation as well as increased staffing requirements because of anticipated caseload growth in the Cash Assistance, Food Stamp, and Oregon Health Plan programs.

AFS – Program Support and Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	43,332,117	43,485,975	45,019,661	42,507,223
Other Funds	7,267,192	5,525,200	5,993,278	5,962,789
Federal Funds	60,008,271	51,053,323	51,221,700	49,391,183
Total	**110,607,580**	**100,064,498**	**102,234,639**	**97,861,195**
Positions (FTE)	316.00	290.42	290.00	263.00

Program Description

This program provides policy direction and administration of all AFS programs. Some of the business functions formerly provided by this unit have been transferred to the DHS Director's Office as part of the agency-wide consolidation of administrative services. The program consists of the Field Services Section, which oversees Field Program Staff and operations; the Policy and Budget Section; and the Quality Assurance and Customer Service Section. The majority of Program Support and Administration staff is located in Salem.

Revenue Sources and Relationships

Child support recoveries of $3.2 million are the largest source among several Other Funds revenue sources. Others include Food Stamp overpayment collections ($0.7 million) and service integration funds from the DHS Director's Office of $1 million. The primary sources of Federal Funds are the TANF block grant ($15.7 million), Food Stamp administrative support revenue ($17.3 million), Title XIX Medicaid funds ($7.2 million), and Federal Child Support Funds of $12.5 million.

Budget Environment and Performance Measures

AFS is developing one information systems project over $500,000—the Transition, Referral, and Client Self Sufficiency (TRACS) project. The 2001-03 biennial budget for this ongoing project is $1.8 million and is included in the DHS Director's Office budget. This project began in May 1995 and is an enhancement to the agency's case management system. The TRACS application allows AFS staff and contractors to eliminate much of the paperwork previously required. AFS expects the first five phases of the project to be completed by the spring of 2001. These phases include completion of software that will allow input of case narratives, test scores, employment history, training activities and attendance, as well as the centralization of the TRACS database. So far, DHS has spent about $8.3 million on this project.

The Office of the Director of DHS is undertaking two initiatives that will have an effect upon the activities within the administrative program of AFS. First, the Director is continuing efforts to integrate the program delivery of all DHS offices and divisional programs. AFS administrators, like other DHS divisional managers, will be required to participate in more coordinating activities and to encourage others within AFS to continue their efforts and working with other community organizations that have similar goals related to client self-sufficiency. Second, the Director's Office is enhancing its capability of forecasting and explaining caseload changes. This effort will also require AFS budget and forecasting staff to develop new methods of data analysis and research.

This program area has one principal performance measure. It measures administrative expenditures as a percentage of total expenditures. Administrative expenditures for the three years of 1997, 98 and 99 were 3% of all benefit expenditures including food stamps, Oregon Health Plan payments, and cash assistance. The agency has not established targets for this measure.

Governor's Budget

The Governor's budget of $97.9 million is $4.4 million total funds or 4% below the current service level. The difference is the result of three reductions. First, the Governor's budget anticipates savings of $1.6 million ($1.2 million General Fund) from a planned DHS reorganization. Second, the Governor's budget cuts AFS administration by a total of $2.3 million ($1.1 million General Fund) and 27 FTE. Third, a $0.5 million total funds decrease ($0.2 million General Fund) reflects a reduction in the DHS Director's Office Community Partnership Team program. The current service level removes costs associated with Y2K computer software remediation and includes additional limitation to accommodate inflation.

DHS/Office of Alcohol and Drug Abuse Programs – Division Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	15,222,311	25,003,650	26,672,204	45,201,656
Lottery Funds	0	5,273,048	6,221,353	6,221,353
Other Funds	13,191,810	18,822,767	16,590,437	16,589,156
Federal Funds	50,823,571	59,505,340	56,567,034	56,375,023
Total	**79,237,692**	**108,604,805**	**106,051,028**	**124,387,188**
Positions (FTE)	49.53	61.25	62.00	61.00

** Based on the DHS rebalance plan approved by the Emergency Board in November 2000.*

Division Description

The Office of Alcohol and Drug Abuse Programs (OADAP) is the primary state agency responsible for planning, contracting, and regulating Oregon's public alcohol and drug abuse prevention, treatment, and maintenance services. With the passage of Senate Bill 188 by the 1999 Legislature, OADAP assumed responsibility for managing the statewide system of gambling prevention and treatment services. The responsibilities include planning, contracting, and regulating problem gambling services and programs.

OADAP has no branch offices but contracts with county governments and other local providers for the direct delivery of services. Services include emergency non-hospital detoxification; intensive and conventional residential treatment; intensive and conventional outpatient, early intervention, and prevention programs in schools and communities. OADAP works with and through the Governor's Council on Alcohol and Drug Abuse Programs to coordinate the efforts of 15 state agencies regarding alcohol and drug abuse and to create and implement a biennial Oregon State Plan for Alcohol and Drug Abuse Programs. The Plan recommends goals, priorities, and specific programs that together provide a comprehensive state approach for targeting and coordinating the alcohol and drug abuse related services and expenditures of all state agencies.

The Office is responsible for regulating treatment services by licensing public providers of alcohol and drug services, insuring that providers are meeting service standards. Anyone who receives state funding for treatment must be licensed through OADAP, including the Oregon Department of Corrections and its contractors for inmate probationers and parolees who have alcohol and drug abuse problems and for youth in facilities of the Oregon Youth Authority. Approximately 6,600 persons per month receive alcohol and drug services.

OADAP is organized into the following four sections:

- ***Program Development and Quality Assurance:*** Responsible for policy development, contract management, maintaining quality manpower for alcohol and drug services, coordination with the tobacco initiative, and ensuring prevention and treatment service quality through program monitoring and technical assistance to local/county coordinator staff.
- ***Center for Addiction Resources and Training:*** Responsible for meeting the information, education and training needs of alcohol, tobacco and other drug prevention and treatment professionals, and allied health, education, human service, and criminal justice personnel.
- ***Planning, Evaluation, Research and Technology Unit:*** Responsible for developing rational, data-driven systems to guide program and policy directions. They coordinate objective, research-based planning, resource allocation, and evaluation systems.
- ***Fiscal and Contracts Support:*** Responsible for administrative services in support of the program goal to maintain services of greatest value to clients and provide enhancements which achieve the greatest gains in treatment outcomes.

Revenue Sources and Relationships

The two primary sources of Other Funds revenue are the state tax on beer and wine and fees or fines paid into the Intoxicated Driver Program (DUII)/Marijuana Diversion Fund. OADAP is projecting a $700,000 shortfall in the beer and wine tax during the 1999-01 biennium, approximately 9 percent. Beer and wine tax revenue for 2001-03 is estimated to be $7.4 million, a 3% increase over 1999-01 estimates. Other sources of revenue include transfers from other state agencies and miscellaneous revenues.

Lottery Funds finance the gambling prevention and treatment services. This revenue came to OADAP with the transfer of the program services by the 1999 Legislature. By statute, 1% of net lottery proceeds is allocated to OADAP for prevention and treatment services.

Revenues are received from a variety of federal programs. During the 1999-01 biennium, the four largest sources included the Substance Abuse Prevention and Treatment (SAPT) Block Grant ($30.4 million), Title XIX Medicaid funds ($10.5 million), Center for Substance Abuse Treatment Grant ($6.5 million), and the U.S. Department of Education ($1.7 million). Other miscellaneous grants and Federal Funds are estimated at an additional $5.8 million. Overall, OADAP is projecting a 13.2% increase in Federal Funds in 2001-03. These estimates are based primarily on information received from the federal government.

There is a maintenance of effort requirement for the SAPT Block Grant. It requires the state to commit General Fund and/or beer and wine tax revenues for alcohol and drug programs at least at the level spent in the previous two years. The consequence of the state not providing sufficient match would be the loss of block grant funding on a dollar for dollar basis. The SAPT Block Grants are 24.8% of total revenue.

Budget Environment and Performance Measures

OADAP identified three principles that emerged from the Social Service Work Group process that guided the 2001-03 budget development. Those three principles are:

1. Continue system enhancements begun in the previous biennium, including:
   a. Expand flexible county funding principles statewide, allowing counties to develop programs that meet client needs in the most effective, efficient manner possible and build on local strengths.
   b. Maintain commitment to continuous system improvement and accountability by providing counties and programs with regular system performance and client outcome reports.
   c. Continue support for research-based best practices including case management, wraparound supports, and aftercare/maintenance programs.
2. Increase cooperation/collaboration among various state and local agencies involved in the delivery of alcohol and other drug services, including:
   a. Work with the Governor's Council on Alcohol and Drug Abuse Programs to develop meaningful local planning processes for local alcohol and other drug programs.
   b. Work with other state agencies to develop uniform planning, funding, and reporting procedures to decrease the administrative burden on local government entities.
3. Continue efforts to develop and support programs to meet needs of special populations, including:
   a. Dually diagnosed clients with substance abuse and mental health disorders.
   b. Clients of partner Department of Human Services agencies, particularly parents whose children are in the care of the State Office for Services to Children and Families.
   c. Ethnic/cultural groups, particularly Native Americans and Hispanic populations.

OADAP is striving to accomplish more flexibility in distribution of funds to meet client needs. During the 1999-01 biennium, the agency contracted with a company to recommend a residential rate structure based on the average cost of providing "best practice" service. The report found the average cost of residential service ranged from $97.49 to $196.74 a day. OADAP developed a plan to equalize the rate at $100 per-day for adult programs and $113 for youth programs. To finance the restructuring, OADAP was able to maximize use of Federal Funds by financing the clinical portion of care through the Medicaid program.

The 1999 Legislative Assembly appropriated an additional $10 million to the alcohol and drug system. These funds were used for treatment enhancements, safe, drug-free housing, family-based prevention, and training and accountability. In January 2000, OADAP assumed responsibility for the management of problem gambling prevention and treatment statewide. Funded with State Lottery Funds, the system includes treatment services in nearly every county and a statewide intervention and referral hotline. Data from July 1, 1999 to June 30, 2000 found that there were 1,155 admissions into the gambling treatment programs. This figure represents a 15% increase in total admissions from the previous year. It is estimated that there will be a 25% to 35 % increase in total admissions from the current biennium to the next biennium. OADAP plans to work through 2001-03 to expand and improve this system.

OADAP's ability to provide or coordinate the provision of needed services can directly affect caseloads in other programs and vice versa. Substance abuse is reported to be a major factor in many social service and public safety programs, particularly those associated with child abuse, juvenile and adult corrections, and emergency hospital admissions. Sixty-five percent of Department of Human Services clients are estimated to be frequent users, or to have alcohol or other drug abuse or dependency. The 1998 student survey indicated that 30% of eighth grade students had some level of involvement with alcohol, and 22% with drugs within the previous month. The statistics are even higher for eleventh grade students, 43% and 24% respectively. Existing caseloads place constraints on the amount of funding available to deal with prevention and treatment.

System effectiveness is measured through the following indicators:

- Risk and protective factors are measured through the biennial Student Drug Use Survey. The survey indicates the environmental factors that support or deter development of addictive disorders. According to OADAP, the student survey results for 2000 will be available in January 2001.
- Clients are assessed through random surveys at first face-to-face contact with the treatment program and six months after the first face-to-face contact regardless of whether the client continues in treatment. Clients are evaluated for improvement in dimensions such as mental health, physical health, criminal behavior, employment/education, family/social relationships and alcohol and other drug use. One such measure is the percent of clients expressing overall satisfaction with the treatment experience six months after treatment. Most of these performance measures have been developed recently and historical data does not yet exist.
- In partnership with its county partners, OADAP has developed a template quality report that assess each county's performance along dimensions such as access to treatment, engagement rates, retention rates, completion rates, and continuum of care. Actual performance data is available for most counties.
- OADAP has developed a standard tool for monitoring program performance against the Oregon Administrative Rules. All field staff have been trained in the use of the tool and are beginning to use the tool on routine site review (licensure visits). As this is a recently created tool, no data is yet available.

In addition to these performance measures, the Agency has developed data books for each of the 36 Oregon counties that provide county specific estimates of need for each of the available services and also provides additional county demographic and risk factor information.

Governor's Budget

The Governor's recommended budget is 14.5% over 1999-01 estimated expenditures. General Fund expenditures would increase 80.1 percent. The budget maintains current services and adds $10.5 million General Fund and $0.8 million Federal Funds targeted for families with small children as part of the Governor's Oregon Children's Plan. The budget also adds $9.2 million General Fund to continue the expansion of services begun in the 1999-01 budget including services for high risk youth, families, tribal members, and welfare recipients. The budget reduces funding for training and provider reviews by $1.1 million General Fund.

DHS/State Office for Services to Children and Families (SCF) – Division Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	185,416,815	200,827,198	254,262,719	227,899,699
Other Funds	29,516,640	32,233,636	33,069,880	32,761,953
Federal Funds	240,396,908	324,936,910	333,212,438	343,870,143
Total	**455,330,363**	**557,997,744**	**620,545,037**	**604,531,795**
Positions (FTE)	1,593.68	1,761.16	1,844.45	1,814.95

** Based on the DHS rebalance plan approved by the Emergency Board in November 2000.*

Division Description

The State Office for Services to Children and Families (SCF) is responsible for protective services for children ages 0-18. Child protection and treatment programs serve children across the state who have been abused, neglected, or whose families are unable to provide for their basic care. The primary goal of the agency is to enable families to provide a safe home for their children. When this is not possible, the secondary goal is to secure permanent alternative families for children. Services include child protective services, in-home remedial family services, foster home certification and training, residential treatment and foster care support, permanency planning, and adoption home locating and support. SCF also administers domestic violence, tribal and Child Abuse Multidisciplinary Intervention (CAMI) programs. SCF has no primary prevention programs; those are included in the State Commission on Children and Families' budget. SCF does, however, provide grant funding for local safety net referral programs for at-risk families.

Revenue Sources and Relationships

Over half of SCF's budget comes from Federal Funds. SCF receives substantial federal revenue as partial reimbursement for eligible State costs. Other federal revenues, including miscellaneous grants, are for specific amounts and purposes.

SCF receives approximately $97.9 million in federal Title IV-E (Foster Care and Adoption Assistance) funds and $115.6 million in federal Title XIX (Medicaid) funds. Title IV-E is spent for field staff, foster care, purchased treatment services, adoption subsidy payments and related administrative services. SCF has a Title IV-E waiver that allows it to pay for in-home services to keep a family together. SCF also received approval to expand the initial waiver to pay for subsidized guardianships where adoption is not a viable option. Prior to the waiver, the federal funding could be used only for foster care for eligible children. The waiver expires June 30, 2002.

Medicaid funding is spent for case management services, special rates for certain children in foster care and related administrative services. The level of Medicaid funding varies with federal match rate changes, the number of children served and eligibility of the services provided. In 2000, SCF began expanding its use of Targeted Case Management funding for in-home services, and plans to continue that expansion in 2001-03.

The Adult and Family Services Division will transfer $76.8 million in federal Temporary Assistance to Needy Families (TANF) revenues to SCF during the 2001-03 biennium. SCF uses TANF funds for direct services, including substitute care and intensive family services to stabilize families so children can remain in the home. This transfer continues a 1999-01 fund shift where SCF received additional TANF funds to free up General Fund for other uses, although at slightly reduced levels. The budget uses General Fund to replace a $2.8 million reduction in the TANF transfer.

SCF also receives $35.5 million from Title XX (Social Services Block Grant). These flexible dollars are used for field staff, residential treatment beds and administrative services. In addition, SCF transfers SSBG funds to AFS ($5.5 million) and to the State Commission on Children and Families ($8.2 million). The total amount of SSBG funds available to Oregon has declined in recent years because of federal budget cuts. Since Oregon uses SSBG funds to pay for basic services, the state has allocated other one-time revenues or General Fund to backfill federal funding cuts. Although future SSBG funding levels are still uncertain, the budget assumes flat funding for the 2001-03 biennium.

Federal Title IV-B (Child Welfare and Family Preservation) funds total $12 million. SCF uses half of the state's $4.8 million from Title IV-B Subpart (2) funds in its own budget to pay for time-limited family reunification work and post-adoption services. SCF transfers the other $2.4 million to the State Commission on Children and Families (SCCF), which distributes the funds for local programs.

About 5% of SCF's budget comes from Other Funds. There are two primary Other Funds sources. Client funds, such as federal Supplemental Security Income or child support payments, are used to reimburse the state for the maintenance cost of children in care. SCF projects these revenues at $18 million for 2001-03. Revenues from the Criminal Fines and Assessment Account (CFAA) fund grants for domestic violence programs and local child abuse assessment services. Although the agency estimates $14 million in CFAA revenues for 2001-03, this will be subject to legislative consideration of proposed revisions in how CFAA funds are allocated.

Budget Environment and Performance Measures

SCF continues to experience caseload growth in all of its services. More younger children are abused and neglected, and more families are involved in alcohol and drug-related problems. The largest single age group of victims of abuse or neglect is under one year old. About two-thirds of the parents who have children in foster care abuse alcohol or drugs. The increasing number of young victims, combined with the intensity of family problems, result in more complex cases that take longer to resolve. This exerts continuing pressure on foster care and special rate caseloads and payments.

The 1997 federal Adoption and Safe Families Act (PL 105-89) mandated strict new timelines for achieving permanent placement for children in out-of-home care. States must begin action to terminate parental rights for any child who has been in foster care for 15 of the past 22 months, with some exceptions such as when a child is being cared for by a relative. Once petitions are filed, adoptive homes or some other permanent living arrangement must be found. The 1999 Legislature adopted Senate Bill 408 to match Oregon law with federal ASFA requirements. As a result, SCF has intensified casework efforts for children and families, revised data collection and reporting procedures, and added staff to complete adoptions more quickly. The faster timelines and expanded judicial oversight have increased SCF's need for legal representation in court hearings.

Three critical performance measures for the agency's protective services efforts are re-abuse rates for children in families SCF is serving; the length of foster care stays; and the number of foster homes a child is in for the period he or she is in foster care. The agency also measures its performance on adoption services, including the number of placements and the disruption rate of the placements over time**.** It is difficult to compare performance for some of these measures with earlier periods, because of program changes that are underway. For example, children who left care during 1997 had an average length of stay of 337 days, while children who left care in 1999 had an average length of stay of 422 days, a 25% increase over 1997. The increase may reflect a temporary upturn in length of stays recorded because of SCF's recent efforts to move a large number of long-term foster children into adoptive or other permanent placements, more than it reflects longer lengths of stay for most children. SCF has also been working to implement data collection and reporting for required performance under ASFA, which includes both process and outcomes standards.

The agency also continues its efforts to implement the System of Care casework approach. This was adopted as part of an agreement with the Juvenile Rights Project to avoid litigation that has successfully challenged child welfare systems in at least 35 jurisdictions nationwide. The System of Care focuses on the unique needs of the child and family. Caseworkers tailor services to meet those needs, using in-home services and relative or neighborhood foster care whenever possible. SCF began to phase in the System of Care approach in 1996. The agreement with the Juvenile Rights Project requires it be in place statewide by June 2003.

SCF reports positive initial evaluations in the first counties to phase in the System of Care approach. The data shows a small decrease in re-abuse rates and slower growth in foster care costs. Preliminary information for Deschutes, Multnomah and Polk counties includes significant increases in the number of child-parent visits, more stability for children in foster care, and more services for families.

Governor's Budget

The Governor's budget is 8.3% total funds higher than the agency's expected 1999-01 expenditures, with a 13.5% increase in General Fund expenditures. The primary reasons for the increase are higher caseloads and costs. For 2001-03, the budget uses "no flex" foster care and special rate foster care caseload projections, based on recent signs that caseload growth is slowing. Although this reduces the overall amount of budget growth in 2001-03, it risks funding shortfalls if the slower growth rate does not continue. Phased-in costs for the System of Care expansion, and continued growth in both the number and negotiated costs of adoption assistance payments, are other major factors in the overall budget increase. The phase-in of System of Care services in the final 8 counties will start in April 2002 and be completed by June 2003.

Although higher than 1999-01 projected expenditures, the Governor's budget is 10.4% General Fund and 2.6% total funds lower than current service level estimates. General Fund reductions include action to:

- Increase use of federal Medicaid Targeted Case Management funding for in-home services ($15.3 million)
- Eliminate program cost-of-living adjustments, except for foster care and purchased adoptions ($3.7 million)
- Reduce flexible funding for System of Care services by one-third ($7.2 million total in current service level adjustments and program reductions)
- Eliminate 29 positions and restructure non-case carrying staff ($1.3 million)
- Eliminate funding for non-statewide programs, such as the Multnomah County Mental Health Partners Project ($670,891)
- Reduce contracted treatment and family support services by 5% ($645,170)
- Reduce foster care cases for children at threat of harm by 50% ($544,890)
- Reduce flexible funding for multi-disciplinary Family Support Teams ($379,211)
- Reduce contracted Portland State University research and training support ($308,222)
- Adjust office expenses in anticipation of the Department of Human Services (DHS) Director's Office departmental reorganization ($1.2 million) and for other cuts in that office's budget ($109,597)

Additional detail on the agency's programs and the proposed budget is presented below.

SCF – Field Operations/Direct Services Staff

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	75,779,986	83,752,981	99,637,296	85,466,576
Other Funds	989,640	2,077,967	4,121,924	4,121,924
Federal Funds	98,301,327	127,232,036	129,695,433	140,364,772
Total	**175,070,953**	**213,062,984**	**233,454,653**	**229,953,272**
Positions (FTE)	1,477.11	1,615.28	1,698.15	1,680.65

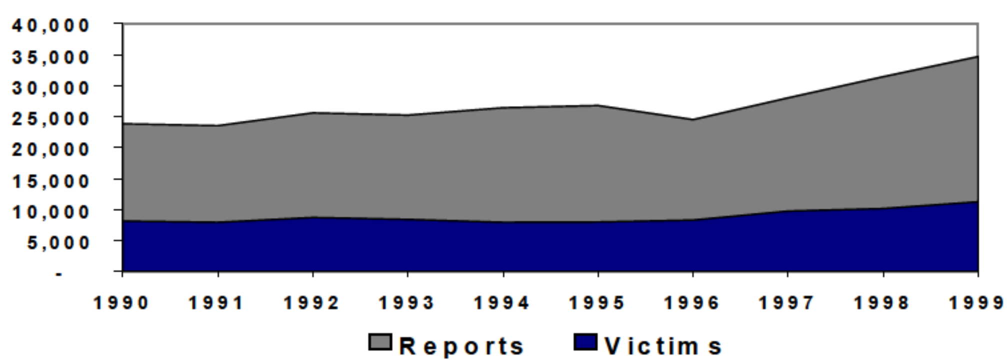
Program Description

This program includes Central Office staff for Field Administration, four regional offices, and field staff in 42 branches in 37 cities. Staff provides child protective services, remedial and family support services, foster care, residential treatment, permanency planning and adoption placement and supervision to SCF families.

Budget Environment and Performance Measures

The number of reports of abuse and neglect received by SCF, and the number of abuse victims, continues to grow. In 1999, 34,675 reports were received; 11,241 victims were found.

The following table shows the increasing number of reports and abuse victims since 1990. Total abuse and neglect reports increased 45.6% over that 9-year period. The number of victims increased 38.3% over the same time. By comparison, there was a 13% increase in the state's child population (ages 0 to 19).



The increase in the number of mandatory reporters in Oregon, and greater public awareness of the harmful effects of abuse and neglect on children, have both contributed to the higher number of reports. The number of founded abuse cases typically is about one-third of the total reports received.

The greatest growth in the number of founded incidents is due to “threat of harm”, which Oregon law includes as child abuse and neglect. Threat of harm includes all activities, conditions and persons that place children at substantial risk of physical abuse, sexual abuse, neglect or mental injury. Over the past four years, the number of incidents due to threat of harm have more than doubled, from 3,670 incidents in 1995 to 7,725 incidents in 1999. Over the same period, actual incidents of abuse and neglect have declined slightly, from 7,344 in 1995 to 6,406 in 1999.

The service delivery system is continuing to change, to meet requirements of the System of Care agreement with the Juvenile Rights Project and the federal Adoptions and Safe Families Act. The emphasis is on more individualized and more time-limited services. These changes require more case planning, more caseworker time, increased resource development, and better case monitoring. The number of caseworkers and other branch staff is increased in System of Care branch offices to respond to more reports, as required in the System of Care agreement.

Governor’s Budget

The Governor’s budget for field staff is 2% General Fund and 7.9% total funds higher than in 1999-01. It is 14.2% General Fund and 1.5% total funds lower than current service level estimates. The budget adds position and FTE authority for the System of Care phase-in and other projected caseload growth. The System of Care phase-in for the final 8 counties will begin in April 2002, with statewide expansion to be completed by June 30, 2003.

The budget makes a significant fund shift and other reductions from current service level estimates. The fund shift assumes $15.3 million General Fund savings from increased use of federal Medicaid Targeted Case Management (TCM) funding for in-home services. SCF expects to begin expanding its TCM claims by early 2001. It has projected this 2001-03 savings based on preliminary estimates of eligible costs and the number of eligible children.

To reduce other costs, SCF will cut 17 positions (17.5 FTE) as part of a restructuring of non-case carrying staff. The regional offices, and other staff supporting regional and branch office operations, will be eliminated. This will produce savings of $967,291 General Fund and $558,086 Federal Funds.

Additional savings are assumed from the Department of Human Services’ reorganization, with $1,214,768 General Fund, $761,235 Other Funds, and $1,976,004 Federal Funds cut in this budget. Details of the reorganization are not yet final. DHS expects to present its reorganization plan to the Legislature early in the 2001 legislative session.

SCF – Field Operations/Purchase of Care

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor’s Recommended
General Fund	46,907,913	44,308,802	57,611,548	52,966,867
Other Funds	11,339,629	9,845,482	11,017,434	10,822,527
Federal Funds	50,666,112	80,012,226	79,087,044	78,479,953
Total	**108,913,654**	**134,166,510**	**147,716,026**	**142,269,347**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

All funding in this section is used by branch offices to purchase services for their clients, including foster care, medical services, special contracts and needs-based services under the System of Care. Direct services staff manages the contracts.

Budget Environment and Performance Measures

Children are removed from their homes in about 30% of the cases where SCF determines child abuse or neglect has occurred. Children are younger at the time of placement and stay longer in foster care than in the past.

Recruiting and retaining foster homes that have the resources to meet the needs of children in SCF's care is a continuing problem for the agency. Base foster care payment rates range from $382 per month for a child through age 5, to $491 per month for a teenager.

The number of children placed in the homes of relatives continues to increase. However, recent federal law changes have eliminated the option of placing children in provisionally certified homes. With this full certification requirement, SCF expects fewer unpaid relative placements and higher overall foster care costs.

Costs are also increasing because more placements require special rates, based on more intense needs of the child. SCF pays special rates for about 60% of all children in foster care. Special rates are based on individual needs assessments. The average special rate payment is $583 per month.

Foster care has been budgeted to grow at more than 8% per year since the mid-1990s. For 2001-03, the expectation is that growth will be about 1.1% per year. The projected costs for regular and special rate foster care for 2001-03 are over $100 million total funds.

The phased-in System of Care model also drives 2001-03 service costs. The System of Care approach provides individualized services for children and their families. These services are often more intensive and expensive than services SCF might otherwise provide, and are predominately paid by General Fund.

Governor's Budget

The Governor's budget represents a 19.5% General Fund and 6% total funds increase over 1999-01 estimated expenditures. Caseload growth, General Fund backfill for federal funding reductions, and phased-in 1999-01 costs for System of Care all contribute to the higher budget. However, the funding level is 8.1% General Fund and 3.7% total funds below current service level estimates because of selective reductions:

- Foster care providers will receive annual cost of living increases, but other programs will be held at 1999-01 funding levels. ($1.3 million General Fund, $81,572 Other Funds and $87,110 Federal Funds)
- Flexible funding for System of Care services is cut by one-third ($2.1 million General Fund, $156,408 Federal Funds below current service level. The Governor's budget also reduced current service level estimates for these flexible funds by $5.1 million General Fund, $188,973 Federal Funds from earlier expenditure assumptions)
- SCF will cut in half the number of foster care placements in "threat of harm" cases, instead focusing on providing in-home services to those children and families ($544,890 General Fund, $113,335 Other Funds, and $363,573 Federal Funds)
- Flexible funding for the multi-disciplinary Family Support Teams will be cut in half ($379,211 General Fund)
- SCF's contribution to the Multnomah County Mental Health Partners Project is eliminated ($314,102 General Fund).

SCF – Program Operations/Direct Services Staff

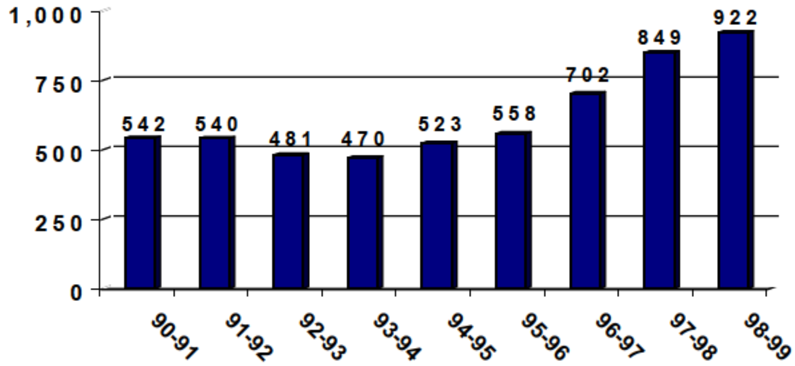
	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	7,709,210	11,312,069	16,849,657	15,034,288
Other Funds	3,445,107	1,616,595	684,164	684,164
Federal Funds	14,004,047	21,927,732	18,130,884	18,368,412
Total	**25,158,364**	**34,856,396**	**35,664,705**	**34,086,864**
Positions (FTE)	81.04	108.88	107.80	95.80

Program Description

The Program Operations section provides policies and guidelines for consistency in service delivery by field staff. It also manages statewide programs, such as monitoring residential treatment facilities. Program management staff provide field consultation services to branches for individual cases or training for best case practices. Program staff also participate in branch reviews to ensure that policies and practices are uniform statewide. The central office adoptions unit is included in this section.

Budget Environment and Performance Measures

As shown below, adoptive placements have increased significantly in the past 9 years. In fiscal year 1999, SCF made 922 adoptive placements. This is 8.6% higher than the 849 placements made in fiscal year 1998, and up 72% from the 542 placements in fiscal year 1991.



Most children (over 60%) were adopted by relatives or foster parents. However, the need for adoptive homes continues. SCF reports that at any given time it is actively recruiting adoptive homes for about 350 children. It may also make other permanent arrangements, such as guardianship or relative care, for some children.

Governor's Budget

The Governor's budget for this section is 32.9% General Fund higher and 2.2% total funds lower than projected 1999-01 expenditures. It represents a 10.8% General Fund and 4.4% total funds decrease from current service level estimates. Increased use of federal Medicaid Targeted Case Management funding is expected to save $1.1 million General Fund and add that amount of Federal Funds support for current activites. The budget anticipates cutting 12 positions, about 11% of the unit's total, as SCF restructures non-case carrying staff ($455,196 General Fund, $262,629 Federal Funds) . The budget also reduces a contract with Portland State University for research and training by 10%, saving $308,222 General Fund and $551,794 Federal Funds.

SCF – Program Operations/Purchase of Care

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	39,494,109	49,597,059	66,154,910	62,730,109
Other Funds	13,738,580	16,879,129	15,675,410	15,579,556
Federal Funds	59,094,441	73,110,507	85,600,270	83,847,078
Total	**112,327,130**	**139,586,695**	**167,430,590**	**162,156,743**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This section of the budget funds purchased services for statewide programs, such as child protective services, residential treatment, adoption program services, and some special programs. Direct service staff in the Program Operations section manage the contracts. Major elements of the program include:

- Child protective services include family worker and treatment services. These include community providers who provide family preservation services, sex abuse treatment, parent support, and parent training. The program also funds community domestic violence programs and distributes Child Abuse Multi-disciplinary Intervention (CAMI) funding to local multi-disciplinary child abuse teams.
- Residential treatment pays for 24-hour intensive programs in residential treatment facilities or care and treatment in supervised foster homes. The Target Children program provides highly individualized services for other, severely disabled children who cannot be served with residential or other treatment resources.
- Adoption assistance gives cash payments and Medicaid coverage to adopting families unti a child is 18.
- Special program services include federal grants, and Tribal, Interstate Compact, and Independent Living programs.

This unit also makes the Title XX (Social Services Block Grant) transfer to the State Commission on Children and Families.

Budget Environment and Performance Measures

Children are coming into SCF's care at younger ages and with more complex family issues. The federal Adoptions and Safe Families Act has imposed more stringent timelines for SCF to provide needed services. As a result, the availability of contracted services and treatment resources is critical. The Target Children program in particular has experienced continuing increases, reflecting more children needing specialized services and higher costs to provide those services.

Adoption assistance payments are growing because more children are being placed with adoptive families, as described earlier. Also, payments continue for a longer period of time for very young children who are adopted. Very few children are now "aging out" of the assistance payments. Adoption assistance costs are projected to grow about 11% per year during the 2001-03 biennium, totalling about $70.3 million for 2001-03. SCF expects to make payments for 7,841 children as of June 2003, compared to 6,351 as of June 2001.

Governor's Budget

The Governor's recommended budget is 26.5% General Fund and 16.2% total funds higher than the 1999-01 estimates for these programs. This reflects the significant growth in adoption assistance, and workload increases in the Target Children program. However, the funding level is 5.2% General Fund and 3.2% total funds lower than current service level estimates because of selective reductions:

- Adoption assistance payments and other contracted services will not receive cost of living increases ($2.4 million General Fund, $94,319 Other Funds and $1,753,192 Federal Funds).
- Contracted treatment and family support services are cut 5% ($645,170 General Fund, $1,535 Other Funds).
- General Fund support is eliminated for three non-statewide programs: the Father Taaffe program in Marion County, the Grants Pass Coalition, and Friends of the Children in Multnomah County ($356,789 General Fund).

SCF – Administration

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	15,525,597	11,856,287	14,009,308	11,701,859
Other Funds	3,684	1,814,463	1,570,948	1,553,782
Federal Funds	18,330,981	22,654,409	20,698,807	22,809,928
Total	**33,860,262**	**36,325,159**	**36,279,063**	**36,065,569**
Positions (FTE)	35.53	37.00	38.50	38.50

Program Description

The Office of the Administrator provides overall direction and oversees the operations of the agency. It handles management support functions such as budgeting and revenue administration, and oversees information system development efforts for the agency. This section includes SCF's share of the costs in DHS for centralized services, such as accounting, personnel and information systems.

Governor's Budget

The Governor's budget for administrative services maintains total funding just slightly below the 1999-01 level. The budget anticipates a $2.3 million fund shift from General Fund to Federal Funds. This assumes increased use of federal Medicaid Targeted Case Management funding for eligible administrative activities that support in-home services to children and their families. Program reductions in the DHS Director's Office reduce SCF's prorate costs by $109,597 General Fund, $17,166 Other Funds and $217,235 Federal Funds. Efforts to restructure non-case carrying staff add $80,160 General Fund and $50,344 Federal Funds to this unit's budget to cover transition costs like relocation expenses and unemployment benefits.

DHS/Director's Office: Central Administration and Support Services – Division Totals

	1997-99 Actual	1999-01 Estimated *****	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,550,000	1,691,632	2,636,292	6,670,214
Other Funds	130,688,130	131,903,834	121,736,810	120,004,024
Federal Funds	2,083,257	5,701,944	5,980,146	23,769,107
Total	**136,321,387**	**139,297,410**	**130,353,248**	**150,443,345**
Positions (FTE)	530.04	606.96	612.22	651.85

** Based on the DHS rebalance plan approved by the Emergency Board in November 2000.*

Division Description

The Director's Office provides leadership and centralized business services for the divisions that make up the Department of Human Services (DHS). During the 1995-97 biennium, support services positions were transferred from other DHS offices and divisions to the Director's Office. The goal was to reduce costs, improve services, and encourage shared responsibility and accountability. Included in the consolidation were accounting, personnel and payroll, contract administration, budget coordination, building operations, and information systems functions.

The Community Partnership Team in the Director's Office consists of three units: Communication Services, Community Services, and Volunteer Programs. The purpose of the Team is to coordinate efforts of DHS, individuals and community partners. The Community Services unit works with counties and local providers to design and facilitate the delivery of community based services; the Community Relations unit is responsible for external and internal DHS communications, and the Volunteer Services Program coordinates and oversees the activities of volunteers serving clients and staff of five DHS divisions. In 1999, volunteers donated nearly 900,000 hours of their time to provide services.

Also included in this program is the Governor's Advocacy Office, which serves as the ombudsman for human resources issues and provides access and recourses for citizens with questions, or suggestions concerning DHS programs.

Revenue Sources and Relationships

The budget for the Director's Office is funded primarily from assessments to other DHS divisions and program offices. DHS divisions pay the assessment from the funding sources that support their programs, including the General Fund. The department-wide General Fund portion of this assessment is $46.6 million. Local community partners provide matching funds for service integration projects administered by the Community Partnership Team.

A $1.00 fee on the original filing and duplication of birth certificates, adoption filings, and divorce filings goes to the Children's Ombudsman program. These funds are transferred to DHS from the state Commission on Children and Families.

Federal Title XX Social Services Block Grant funds flow through the Community Partnership Team budget to support Enterprise Community projects in Josephine County and Northeast Portland. Title XIX (Medicaid) funds provide the federal match for the Medicaid Management Information System (MMIS) replacement project.

Budget Environment and Performance Measures

The consolidation of administrative services into the Director's Office was designed to achieve savings and integrate departmental services for greater efficiency and increased information systems capability. The Department is responsible for establishing and monitoring customer service standards for administrative services and for continuously monitoring customer satisfaction through surveys and interviews.

Although performance measures were not identified specifically for the Director's Office, the Department uses 20 measurable outcomes to gauge progress in achieving four broad goals. Those Department-wide goals include:

- People are healthy
- People are living as independently as possible

- People are safe
- People are able to support themselves and their families

Most of the Department's outcomes are related to Oregon Benchmarks.

Governor's Budget

The Governor's total funds budget of $150,443,345 reflects a 15.4% increase over current service level and 8% above 1999-01 estimated expenditures. Program reductions include elimination of the Albina Emergency Center, elimination of the Klamath Adolescent Program, reduced funding and positions in the Volunteer Program, and reduced funding and positions in the Community Development Program. These reductions total $2,006,461 All Funds and $273,675 General Fund.

The budget provides continued funding ($3.5 million General Funds and $13.3 million Federal Funds) for the development of the Medicaid Management Information System and development costs for a contracts and payment system in the Mental Health and Developmental Disability Services Division.

DHS/Health Division (HD) – Division Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	28,199,845	29,857,821	31,217,768	25,482,405
Other Funds	52,768,440	59,977,139	55,378,470	64,380,594
Federal Funds	84,000,289	125,208,401	126,535,651	128,790,423
Nonlimited	95,206,715	105,000,000	104,550,000	104,550,000
Total	**260,175,289**	**320,043,361**	**317,681,889**	**323,203,422**
Positions (FTE)	456.67	482.67	474.80	485.74

** Based on the DHS rebalance plan approved by the Emergency Board in November 2000.*

Division Description

The Health Division establishes policies and carries out activities designed to improve the health and safety of Oregonians. It monitors the health status of communities and the performance of the health care system and has a regulatory role in ensuring that public facilities, drinking water systems, and health care facilities and equipment meet state and federal requirements. Services are provided primarily through 34 county health departments and other community and tribal health organizations. The Division provides services directly where there is no local health provider or where highly specialized services require a central program. Direct services include laboratory testing and investigating outbreaks of diseases. The Division provides technical assistance, consultations with health care providers, and targeted health education programs. Due to the passage of HB 2465 by the 1999 Legislative Assembly, the health licensing and certification programs that resided in the Health Division were transferred to the Health Licensing Office.

Revenue Sources and Relationships

Other Funds support 28.5% of the Division's expenditures and come primarily from fees, service charges and indirect cost recoveries. Fee revenue is derived from a variety of sources, including vital records, newborn screening, health care / laboratory licensing, county food service consultation, food service licensing, radioactive material licensing, X-ray machine licensing, and emergency medical technician / ambulance licensing. The budget proposal for 2001-03 relies on increases in some of these fees. Other significant sources of revenue are tobacco tax receipts, which fund tobacco prevention programs, and an infant formula rebate program used for nutritional services for women and children.

Federal Funds support 63.6% of the Division's expenditures. Major sources of Federal Funds are U.S. Department of Agriculture grants for the Women, Infants, and Children Nutrition Program (WIC) and Department of Health and Human Services grants, which support many activities of the Center for Disease Prevention and Epidemiology and Public Health Laboratory.

Budget Environment and Performance Measures

The Division's budget is driven primarily by the growth in Oregon's population, but also is affected by increasing medical costs. As in-migration to the state continues, there is more demand for health services, more need for health education, and more need for health surveillance to avoid or minimize communicable disease outbreaks.

Private laboratories are doing less analysis under managed care resulting in an increased workload for the Public Health Laboratory. Also, as the OHP has moved prenatal clients from safety net clinics to managed care plans, the loss of Medicaid dollars has strained the ability of the clinics to continue to provide services for uninsured women. Shrinking county resources due to property tax limitations have compounded the difficulty that local health departments encounter in attempting to meet service demands.

The Division is currently involved in a three-year strategic planning process called "Turning Point: Collaborating for a New Century in Public Health." Planning focuses on creating a sustainable system of changes for meeting future demands of the public health system. A particular challenge will be to focus on issues of strategic importance to Oregon. Since the Division is primarily funded from Other and Federal Funds, the sources of these revenues tend to drive policy direction and determination of need.

The Division has developed strategic goals such as reduce health risks related to personal behaviors, reduce per capita costs of illness care for Oregonians, reduce health risks in the environment, improve quality of health care services, facilities and systems, improve access to and delivery of clinical preventative services, and reduce prevalence of tobacco use in Oregon. These goals are linked to 16 primary and 6 secondary Oregon Benchmarks; however, the Health Division is not the lead agency for most of these benchmarks. Program specific performance measures have been developed, although historical data and targets have yet to be identified for all the measures.

Governor's Budget

The Governor's budget includes several General Fund program reductions and, in some cases, relies on fee increases to support programs at their current service levels. Total expenditures would increase 1% over 1999-01 estimated expenditures, with the General Fund decreasing by 14.7 percent. Specific reductions and enhancements are mentioned below by program.

Notable among programs relying on fee increases for maintenance or expansion of services would be the Public Health Laboratory and the Center for Environment and Health Systems.

HD – Center for Disease Prevention and Epidemiology

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	5,561,124	6,553,552	7,019,470	6,364,417
Other Funds	25,145,353	26,756,088	25,458,704	32,608,782
Federal Funds	25,631,090	33,459,649	37,513,021	38,887,922
Nonlimited	0	3,000,000	0	0
Total	**56,337,567**	**69,769,289**	**69,991,195**	**77,861,121**
Positions (FTE)	154.18	170.40	171.50	177.14

Program Description

The Center for Disease Prevention and Epidemiology identifies and investigates disease outbreaks, hazardous exposures and other health threats. The Center collects, analyzes and distributes health-related information and implements public health programs to reduce the occurrence of acute and chronic disease. Center programs include: Injury Prevention and Epidemiology; Acute and Communicable Disease Prevention; Environmental and Occupational Epidemiology; Health Statistics and Vital Records; Health Promotion and Chronic Disease Prevention; and a program designed to reduce illnesses and death from sexually-transmitted diseases (STD), tuberculosis (TB), and human immunodeficiency virus (HIV). The Center also provides program design and evaluation services.

Revenue Sources and Relationships

Other Funds revenue from tobacco taxes and a variety of fees and service charges support nearly 40% of the Center's expenditures. The largest source ($15.6 million) is from tobacco taxes resulting from the passage of Ballot Measure 44 in 1996, although tobacco taxes collected have declined since the 1997-99 biennium. The Measure increased the tax on tobacco products and dedicated 3% of receipts to tobacco prevention activities. The Health Division is responsible for the tobacco prevention program. Major sources of Other Funds revenue are health statistics and vital records fees ($5.1 million).

Federal Funds revenue comes from the Centers for Disease Control for HIV / TB / STD ($17.9 million), breast and cervical cancer programs ($6.5 million), Emerging Infections program ($3.6 million), tobacco prevention ($2.2 million), and Bioterrorism Preparedness ($2.1 million). A variety of federal grants supports targeted projects within each of the Center's programs. Federal Funds support 50% of the Center's expenditures.

Governor's Budget

The Governor's Recommended budget is 11.6% above the 1999-01 estimated expenditures and 11.2% above the current service level. The budget includes elimination of the Child Fatality Review program ($650,746 General Fund) which collects, maintains and provides data analysis and technical assistance to 36 local child fatality review teams and the statewide team. The budget enhancements include the following:

- $7 million Other Funds from the tobacco settlement to enhance tobacco use prevention programs;
- Establishment of eight permanent positions (6.50 FTE), authorized as limited duration positions during the 1999-01 biennium, for a variety of programs within the Center. Funding for these positions comes from Other Funds ($188,798) and Federal Funds ($638,775); and

- Reclassification of two positions to better fit current duties and responsibilities and correct the funding of one position from Other Funds to Federal Funds.

HD – Public Health Laboratory

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	1,642,858	2,162,353	2,321,386	2,320,734
Other Funds	7,229,092	7,045,215	6,508,100	6,508,100
Federal Funds	2,109,055	3,173,427	3,453,038	3,453,038
Total	**10,981,005**	**12,380,995**	**12,282,524**	**12,281,872**
Positions (FTE)	70.78	71.09	69.35	69.35

Program Description

The Public Health Laboratory supports the Division and local health departments by providing laboratory testing and consultation. It includes testing for virology / immunology, general microbiology, and newborn screening. The unit also assures the quality of laboratory testing by inspecting and licensing clinical and drinking water laboratories.

Revenue Sources and Relationships

Other Funds revenue supports 53% of the Laboratory's expenditures. The largest single source ($5.6 million) is from Newborn Screening fees. The laboratory serves as the regional center for screening newborns for six states. The revenue generated by the screening fee also supports the Division's basic communicable disease testing for local health departments—a program entirely unrelated to newborn screening. This practice started after the 1991 Legislative Assembly directed the lab to increase newborn screening fees above actual costs to offset the loss of revenue to local governments following passage of Ballot Measure 5. In the meantime, the fee has risen to the statutory cap of $16 per specimen. Due to cost increases over the past decade, the fee no longer generates enough revenue to fund both the newborn screening program and the offset for local health departments. Clinical Laboratory licensing fees and testing fees are other major sources of Other Funds revenue. Federal Funds, which support 28% of expenditures, come from oversight of clinical laboratories in Oregon under the federal Clinical Laboratory Improvement Amendments (CLIA).

Governor's Budget

The Governor's recommended budget is essentially the same as 1999-01 estimated expenditures and maintains the current level of services. No enhancements for the Public Health Laboratory are included in this budget. A small reduction was made to phase out the state-operated Clinical Laboratory Licensing Program that is now done under the CLIA contract.

HD – Center for Environment and Health Systems

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	2,935,007	3,147,604	3,346,823	2,193,842
Other Funds	6,555,193	8,955,078	8,811,700	10,629,881
Federal Funds	5,757,817	7,835,507	7,384,434	7,551,550
Total	**15,248,017**	**19,938,189**	**19,542,957**	**20,375,273**
Positions (FTE)	105.98	105.78	104.70	109.00

Program Description

The Center for Environment and Health Systems has five programs designed to protect against environmentally caused health problems and unsafe medical practices and facilities. Through training, licensure and oversight, the Emergency Medical Services and Systems Program ensures that resources are available to respond to medical emergencies. The Health Care Licensure and Certification Program ensures that health care facilities comply with state licensing standards and federal regulations. The Environmental Services and Consultation Program establishes operational and regulatory standards and provides education and training to protect the public against environmental hazards in public places. The Drinking Water Program works in conjunction with county health departments to assure the availability of safe drinking water, and Radiation Protection Services establishes and maintains standards for a wide variety of radiation-related equipment such as X-ray machines and tanning devices.

Revenue Sources and Relationships

Other Funds revenue supports about 52% of this program, primarily from fees paid by entities being licensed and regulated. Other sources include $1.1 million from county consultation fees and approximately $900,000 from the Motor Vehicle Accident Fund. The Center also receives funding from the U.S. Environmental Protection Agency (EPA) for drinking water systems ($29 million) and lead abatement and enforcement ($700,000). The U.S. Department of Health and Human Services provides $1.2 million for the Medicare Survey / Certification of health care facilities, and the EPA and the Food and Drug Administration provide about $200,000 for radiation protection services.

Governor's Budget

The Governor's recommended budget is 2.2% above 1999-01 estimated expenditures and 4.3% more than the current service level. The budget eliminates the General Fund ($1,150,000) from the Drinking Water Program and replaces them with Other Funds provided by the Oregon Economic and Community Development Department. The budget also includes the following enhancements:

- $263,210 Other Funds through fees to support minimum mandated licensing and inspection services for food service facilities in 12 counties directly served by the division;
- $111,354 Other Funds through fees to support the licensing and inspection services for outpatient dialysis facilities;
- $69,349 Other Funds to assure the capacity to continue to conduct basic health and safety inspections of public swimming pools and spas in 12 counties under the jurisdiction of the division; and
- Position corrections and reclassifications.

HD – Center for Child and Family Health

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	11,238,942	11,098,735	12,036,320	7,642,775
Other Funds	5,438,012	8,592,043	5,571,507	5,847,656
Federal Funds	48,344,733	73,309,423	74,240,199	74,697,507
Nonlimited	95,206,715	102,000,000	104,550,000	104,550,000
Total	**160,228,402**	**195,000,201**	**196,398,026**	**192,737,938**
Positions (FTE)	92.98	93.01	89.50	91.50

Program Description

The Center for Child and Family Health supports programs for individuals and families at risk because of age, income or other factors. The Center is composed of seven sections. The Women's and Reproductive Health section works to reduce unintended pregnancies, promote healthy birth outcomes, and increase awareness of women's health issues. The Perinatal and Child Health section promotes health and well being of pregnant women and children by providing a variety of primary preventative activities and health services. The Adolescent Health section focuses on teen pregnancy prevention, school-based health centers, nutrition and adolescent mental health. The Dental Health section works on early childhood prevention, fluoride systems and programs, sealant campaign and graduate pediatric dentistry training program. The Immunization section works to prevent vaccine preventable diseases. The Special Nutrition Program for Women, Infants, and Children (WIC) provides nutrition education, food vouchers, and referral services; and the Maternal and Child Health Systems section integrates common elements of Center programs to enhance state and local services.

Revenue Sources and Relationships

The largest source of revenue is for the WIC program, which receives several U.S. Department of Agriculture grants totaling $103.8 million and $27.7 million in Other Funds revenue through an infant formula rebate agreement. Expenditures from the federal WIC Food Grant ($76.9 million) and revenue from the infant formula rebate are not subject to expenditure limitation. The Division also receives federal funding through the Maternal and Child Health Block Grant ($9 million); Immunization Grant ($3.4 million); Title X Family Planning Grant ($3.3 million); and a variety of smaller federal grants. Additional Other Funds revenue comes from intrafund transfers from other DHS divisions ($3.6 million) and vaccine reimbursements ($0.8 million).

Governor's Budget

The Governor's Recommended budget is 1.2% less than 1999-01 estimated expenditures and 1.9% below current service levels. The proposed budget reduces General Fund expenditures by 31.1% from 1999-01 estimated expenditures and 36.5% below current service levels. Proposed reductions include the following:

- Eliminates state funding ($2,519,419 General Fund) for 20 school-based health clinics in 11 counties that provide primary health care and referral services;
- Redirects the Babies First funding ($1,375,573 General Fund) to the Governor's Oregon Children's Plan;
- Eliminates the Perinatal Project and reduces prenatal programs ($399,500 General Fund). The Perinatal Project provides medical consultation to health care providers statewide focusing on rural providers, local health departments, and migrant community health clinics. Special payments to counties will be reduced resulting in fewer services being provided in the prenatal program; and
- Eliminates the "Teen Info Line" in Multnomah County ($96,986 General Fund) that answers calls on a variety of health issues.

The budget includes nearly $600,000 Other Funds and Federal Funds for the reestablishment of limited duration positions for a variety of programs and grants and the reclassifications of five positions to better fit current duties and responsibilities.

HD – Administration

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	2,246,965	1,504,929	1,574,175	2,041,518
Other Funds	7,167,119	7,425,890	7,229,541	7,155,273
Total	**9,414,084**	**8,930,819**	**8,803,716**	**9,196,791**
Positions (FTE)	15.77	17.25	17.50	16.50

Program Description

The Office of the Administrator provides public health policy and management of the Division. The Office manages the mailroom / stockroom, which, in addition to routine property management, inventory and mail processing, coordinates space management, storage, and building maintenance. The Office also provides staff support for groups such as the Public Health Advisory Board and the Conference of Local Health Officials. Although most personnel, business services, and information systems functions are provided by the Department of Human Services Director's Office, this division is responsible for budget preparation and liaison with the Director's Office for administrative activities related to the Health Division.

Revenue Sources and Relationships

Other Funds revenue supports 78% of administrative expenses. The largest source ($6.2 million) comes from indirect cost recoveries on federal grants. These are actually Federal Funds expended as Other Funds because they are transferred to the Administrative Program from other units in the Division. The remaining federal income is from transfers from other programs within the Health Division for business, mailroom and information systems services.

Governor's Budget

The Governor's budget is 3% above 1999-01 estimated expenditures and 4.5% higher than the current service level. The current service level budget was reduced by $2,575,976 due to decreases made in the intra-agency charges to the DHS Office of Information Services based on actual usage. The budget includes $500,000 General Fund for the development of a database that will provide a perspective to unique health issues for minority populations. Also included in the budget is the transfer of one position between subprograms within the Office of the Administrator and the transfer of one position to the Center for Environment and Health Systems in order to fit current duties and responsibilities resulting in savings of $74,268 Other Funds. Additional savings of $31,232 General Fund is realized through a reduction in the Departmentwide Support Services prorate due to the elimination of the Albina program and reductions in the Community Development program.

HD – Cross-Agency and Special Programs

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	4,574,949	4,775,455	4,919,594	4,919,119
Other Funds	1,233,671	1,662,579	1,798,918	1,630,902
Federal Funds	2,157,594	4,001,824	3,944,959	4,200,406
Total	**7,966,214**	**10,439,858**	**10,663,471**	**10,750,427**
Positions (FTE)	16.98	21.23	22.25	22.25

Program Description

The Cross-Agency and Special Programs budget category consists of a group of agency-wide support services and special programs that do not fit for organization purposes into any of the Division's other program units. The Office of Multicultural Health develops targeted methods of service delivery. The Certificate of Need program assures that new health facilities and services are adequately distributed around the state without unnecessary duplication or excessive costs to clients. The Plan Review section ensures that construction plans for health facilities meet state standards and fire and life safety codes. The Indigent Burial Fund reimburses funeral service practitioners up to $450 for disposition of unclaimed, indigent, deceased persons. The Office of Community Services serves as the liaison between the Division and the county health departments. Health Education and Information furthers the Division's goals by bringing visibility to public health issues. The Health Partnerships section provides assistance to local communities where there is a shortage of medical personnel.

Revenue Sources and Relationships

The primary sources of Other Funds revenue are registration fees associated with the various special programs. In addition, there is a $255,273 grant from the Robert Wood Johnson Foundation to support the Turning Point strategic planning process.

Federal Funds from the Centers for Disease Control Preventative Health Block Grant ($2.7 million) support the Community Services Program and county health departments. Community Services also receives about $430,000 from the Primary Care / Cooperative Agreement Grant, which provides assistance in the development and delivery of primary care services in areas of the state that lack adequate health care resources.

Governor's Budget

The Governor's budget maintains the current level of services. Additionally, the budget includes the reclassification of four positions in order to fit current duties and responsibilities and corrects the fund type to accurately reflect funding sources. This correction shifts funding from Other Funds to Federal Funds.

DHS/Office of Medical Assistance Programs (OMAP) – Division Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	589,511,598	640,140,065	887,701,720	869,856,840
Other Funds	276,830,711	331,005,918	302,613,594	324,182,447
Federal Funds	1,340,653,795	1,489,452,164	1,782,663,873	1,767,036,191
Total	**2,206,996,104**	**2,460,598,147**	**2,972,979,187**	**2,961,075,478**
Positions (FTE)	176.55	182.91	184.53	202.03

** Based on the DHS rebalance plan approved by the Emergency Board in November 2000.*

Division Description

The Office of Medical Assistance Programs (OMAP) administers the medical components of the Oregon Health Plan (OHP) and non-OHP medical programs. Its budget is organized into four units: the OHP Medicaid Program; the OHP Children's Health Insurance Program (CHIP); Non-OHP Medical Programs; and OMAP Administration.

OMAP – Oregon Health Plan (OHP) – Medicaid

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	533,231,610	565,386,990	792,076,083	773,094,603
Other Funds	263,197,831	307,400,911	283,786,569	297,129,415
Federal Funds	1,241,158,726	1,338,331,966	1,625,892,120	1,583,757,687
Total	**2,037,588,167**	**2,211,119,867**	**2,701,754,772**	**2,653,981,705**
Positions (FTE)	0.00	0.00	0.00	0.00

** Estimated and current service level amounts have been adjusted to reflect effects of the November 2000 DHS rebalance plan for 1999-01. The Governor's recommended budget for OMAP does not include OHP mental health costs, which appear in the budget of the Mental Health and Developmental Disability Services Division.*

Program Description

The OHP-Medicaid expansion is the largest medical services part of the Oregon Health Plan. Other components are OHP-Medicaid Mental Health; the federal Title XXI Children's Health Insurance Program (CHIP), described below; the insurance subsidies offered through the Insurance Pool Governing Board; and a high risk insurance pool administered by the Oregon Medical Insurance Pool Board in the Department of Consumer and Business Services.

The Medicaid component of the OHP is a demonstration project approved by the federal Health Care Financing Administration (HCFA) as a waiver of traditional Medicaid rules. The initial five-year waiver was set to expire in January 1999, but was extended by HCFA for three years. The waiver is now scheduled to expire in January 2002. The OHP differs from traditional Medicaid in four major ways:

- *Eligibility* – Coverage is available to most people living at or below 100% of the federal poverty level regardless of age, disability, or family status. Under traditional Medicaid, single adults and childless couples would not have qualified for benefits even if they met income criteria.
- *Benefits* – Services are available based on a prioritized list of health conditions and treatments. Theoretically, the amount of funding available determines the services that are covered. The Health Services Commission, administered by the Office for Oregon Health Plan Policy and Research in the Department of Administrative Services, determines the content and establishes the priority of listed services.
- *Service Delivery* – Most services are funded through a coordinated system of managed care plans, rather than the more traditional fee-for-service approach.
- *Payment* – Providers of health services under the OHP managed care plans are supposed to be reimbursed at reasonable cost rather than a percent of charges. Statutes creating the OHP mandate the payment of reasonable cost to encourage providers to participate in the Plan and to reduce the incidence of cost shifting to other parts of the health delivery system. Services provided on a fee-for-service basis are paid at traditional Medicaid rates, which generally do not cover costs.

The following people are covered by the Medicaid component of the OHP:

- Persons receiving cash assistance under the Temporary Assistance to Needy Families (TANF) program;
- Families transitioning from TANF into employment, who are eligible for 12 months after cash assistance ends;
- Children in foster care or for whom adoption assistance payments are made;
- Persons in the Poverty Level Medical Program (PLM), which includes children from birth to age 5 in households with incomes up to 133% of the federal poverty level (FPL), children 6 to 18 in households with incomes up to 100% of FPL, and pregnant women and their newborns up to 170% of FPL;
- Persons who are age 65 or over with incomes under 81% of the FPL;
- Blind and disabled persons with incomes under 81% of the FPL;
- General Assistance recipients who are unable to work for at least 12 months, have no children, and have incomes and resources under $50; and
- Other Oregonians (citizens and qualifying non-citizen residents) with incomes under 100% of FPL who are not eligible for Medicare.

In addition to medical and dental services, the OHP incorporates non-institutional mental health and out-patient chemical dependency services. Institutional mental health and residential chemical dependency treatment are covered by Medicaid, but services are delivered through the Mental Health and Developmental Disability Services Division (MHDDSD) and the Office of Alcohol and Drug Abuse Programs (OADAP).

Policy and support staff costs for the OHP are included in the OMAP Administration, MHDDSD and OADAP budgets. Eligibility is determined by employees in the Adult and Family Services (AFS) and Senior and Disabled Services (SDSD) divisions.

Revenue Sources and Relationships

The federal government funds approximately 60% of OHP Medicaid costs. Most of the state's 40% match comes from the General Fund and tobacco taxes. The remaining state match comes from a variety of Other Funds revenue sources including OHP premiums; federally required drug manufacturer rebates; and recoupments from insurance companies, providers, and clients. Additional revenue comes from state agency and county transfers designed to maximize the receipt of federal matching funds, and from miscellaneous receipts.

Tobacco tax revenue for direct support of the OHP comes from 27 cents of the 30-cent-per-pack tax established in 1996 in Ballot Measure 44 and a 10-cent-per-pack temporary tax that was extended by the 1999 Legislature through January 2002. Tobacco tax revenue constitutes 26% of state funding for the OHP in the 1999-01 budget. Revenue from the taxes has been less than projected and is expected to continue to decline in the coming biennium. During the current biennium, the Emergency Board has approved budget rebalance plans which offset $17.8 million in under-realized tobacco tax revenues with General Fund savings from other areas of the DHS budget. The Governor's proposed budget for 2001-03 assumes passage of legislation to continue the 10-cent-per-pack tax, which would generate an estimated $36.1 million in revenue. Within that amount, $26.3 million would be used to maintain existing OHP Medicaid services that would otherwise be in jeopardy of elimination due to budget constraints. The remaining $9.8 would be used to maintain the OHP-CHIP program.

The match rate from federal Medicaid funds varies annually because it is based on Oregon's population and economic condition compared to that of other states. As the state's economy improves compared to other states, the federal match is lowered. Because Medicaid is an entitlement program, the General Fund or other state resources are used to backfill the loss of Medicaid revenue when the match rate change is unfavorable to the state. For 2001-03, the rates change from 60.05% to 59.50 percent. The Governor's budget use General Fund and tobacco tax revenue to offset this change.

Budget Environment and Performance Measures

Many factors affect the cost of the Oregon Health Plan, including population growth; policies of other DHS divisions and state agencies; federal welfare and Medicaid laws; changing medical technologies; medical inflation; and the status of the economy. Following are significant factors affecting OHP costs.

Caseload Changes – The OHP budget is based on caseload forecasts and cost estimates that are projected for the coming two years. Because of the size of the OHP budget, even the slightest variance from the original forecast can result in a significant budget shortfall—or windfall. One half of one percent of OHP-Medicaid General Fund expenditures is approximately $35 million. In an effort to improve caseload forecasts and provide greater stability to the budget, DHS has centralized the forecasting responsibility in the DHS Director's Office. With the assistance of Willamette University, the Department revised the method of forecasting OHP caseloads. Although the new method shows promise of being more accurate and providing better analysis of caseloads for management planning, it is doubtful that it will be accurate enough to completely resolve the budget problems associated with even modest caseload fluctuations.

Medical Inflation and Utilization Trends – Under federal Medicaid law and state statutes, OMAP is responsible for paying rates that are sufficient to assure access to health care services for Medicaid recipients. With medical inflation, in particular 15-20% annual increase in the cost of prescription drugs, it has become harder to pay providers of OHP services rates that will allow their continued participation in the program. Several OHP managed care providers have discontinued their contracts. Initially, this occurred in the rural parts of the state. Recently, the problem has spread to the population centers of Portland, Salem and Eugene. The budget rebalance plan approved for the Department of Human Services in November 2000 included a shift of resources within the Department to fund a 2% rate increase for OHP managed care providers. This increase will be in effect until October 2001, when the new contract period begins. The OMAP actuary has established rates for the 2001-03 biennium that are over 20% higher than for the original 1999-01 contract period. The mid-contract 2% increase was to encourage providers to remain with the OHP until the remainder of the increase goes in effect.

Federal Policy and Funding Changes – Medicaid is a state-federal partnership of unequal partners. The federal share of administrative costs ranges from a low match rate of 50% for most functions to 90% for certain planning activities. Most program costs are matched at a rate of approximately 40% state to 60% federal funds. The federal government sets the rules and guidelines for the program and must approve any waivers and changes to waivers that are authorized for the state. Changing congressional priorities and federal funding levels greatly impact funding for OMAP programs.

Benefit Issues – As noted earlier, OHP services are based on a prioritized list of medical conditions, treatments, and procedures. The extent to which the conditions on the list are covered depends on the amount of funding available. In theory, as well as legislative intent, the OHP budget would be balanced and funding decisions made based on the list of prioritized services and available funds. In practice, however, the federal Health Care Financing Administration (HCFA) has allowed very little flexibility in removing services from coverage. Because of this, OMAP and the Legislature have looked to alternative methods of budgetary control, such as eliminating specific eligible groups, changing the effective date of eligibility, and attempting to control medical costs through managed care.

With the exception of intensive services for children, mental health services have been fully phased into the OHP. It was originally planned that mental health services would be integrated with medical services in the managed care plans. Actual implementation has occurred differently, and services continue to be delivered much as they were prior to their incorporation into the plan. Counties continue to play a large role in service delivery and the contracts are administered by the MHDDSD. The difference is that all persons enrolled in the OHP now have access to mental health treatment. Special task forces and interim committees continue to explore ways to better integrate and improve the delivery of mental health services. Several interim committees and task forces continue to explore ways to improve the OHP and make it both accessible and sustainable.

OMAP has identified links to several Oregon Benchmarks. Among them are:

- Benchmark 44 – Percentage of Oregonians 18 and older who smoke cigarettes. OMAP measures the percentage of adult (older than 16) smokers who have been advised to quit smoking by an OHP practitioner during a visit in the past six months. No target has been identified. The 1999 rate was 70.4%, which is in the top 10% based on a national comparison by the National Commission for Quality Assurance.
- Benchmark 54 – Percent of Oregonians without health insurance. OMAP has several measures related to this benchmark. To measure the increase in the number of low-income pregnant women participating in the OHP, OMAP receives data from the Health Division that shows the percent of women giving birth who were either enrolled in the OHP, covered by private insurance, or were uninsured. Although the measure focuses on the number covered by the OHP, the more relevant measure is the percent of women who were uninsured. Data indicate that the percent of uninsured women giving birth went from 6.4% in 1997 to 5.9% in 1999. During that period, the number of women covered by private insurance went from 60.9% to 61.2%, and the number of women giving birth who were enrolled in the OHP went from 32.1% to 32.5 percent. No specific targets were identified.

- Benchmark 40 – Percentage of babies whose mothers received early prenatal care (beginning in the first trimester). OMAP uses Health Division data to measure the decrease in the percentage of low birthweight babies born to OHP clients. Between 1995 and 1998, the percentage fell from 69.2 per 1000 to 61.5. For 1999, the rate was up slightly to 61.6 per 1000. No target was identified. Another measurement related to this benchmark is the percentage of Medicaid women receiving prenatal care in the first trimester of their pregnancy. The 1995 rate was 65% followed by fairly steady growth to the 1999 rate of 69.8 percent. Again, no specific targets have been identified.

Through drug utilization reviews, OMAP measures the percent of abuse of prescription drugs for the Medicaid population. Since 1995 the percent has dropped from 10.7% to 7.7% 1999.

Through a mandated Client Satisfaction survey, OMAP biennially surveys people who have been enrolled in the OHP to determine if they believe they received quality care and were satisfied with the service. In 1994 and 1995, survey results showed that 77% were satisfied. This percent increased to 84% in 1996 and has remained between 82% and 84 percent.

Governor's Budget

The Governor's budget maintains most OHP services by adjusting factors that determine current service costs and assuming continuation of the temporary tobacco tax. The budget document understates 1999-01 estimated expenditures and the 2001-03 current service level, because it does not include all of the adjustments affected by the November 2000 departmental rebalance plan. Specifically, it does not include (within the current service level) adjustments to the General Fund ($18.2 million) and Federal Funds ($26.8 million) due to changes in the enrollment mix of OHP eligibles. It also does not include adjustments to Other Funds and Federal Funds for Health Division pass-through adjustments. The following comparisons include these adjustments.

Overall, the budget increases $442.9 million (20%) over estimated 1999-01 expenditures, but is $47.8 million (1.8%) below the adjusted 2001-03 current service level. Although the proposed General Fund budget is $207.7 million (36.7%) more than estimated 1999-01 expenditures, it is $19 million (3.3%) below the cost of maintaining current services. Within the current service level, the largest increases are for medical inflation and the actuarial projection of cost increases based on utilization trends. The budget continues a 2% increase in capitation rates for managed care providers approved by the Emergency Board in November 2000 and phases in another 19% effective October 1, 2001. These factors, combined with changes in caseload and enrollment patterns, increase total costs by $574 million and the General Fund by $231 million. Although large, these increases are a total of $24.5 million ($9.9 million General Fund) less than the actuarial projection of costs, because caseloads and cost-per-case were reduced to a "no-flexibility" level that would leave no room in the budget for any variance from current projections. Other reductions to the budget include:

- The CPI for fee-for-service providers is reduced by half, saving a total of $5.7 million ($2.2 million General Fund).
- Three drug management actions are planned to generate savings of $18.7 million ($7.1 million General Fund). They include case management for antidepressant drugs; lowering pharmacy payments to the level paid by commercial managed care organizations; and requiring a nominal co-payment on fee-for-service drugs.
- Full-cost reimbursement is eliminated for most Type B hospitals, saving $16.5 million ($6.7 million General Fund). Type B hospitals have 50 or fewer beds and are within 30 miles of another hospital. The actions assume that only hospitals that would remain financially solvent would be affected.
- OHP costs are reduced a total of $7.8 million ($2.9 million General Fund) related to the elimination of certain services for long term care clients in the Senior and Disabled Services Division.
- OHP costs are reduced a total of $423,184 ($160,556 General Fund) related to the reduction of services in the State Office for Services to Children and Families.

Changes in the reimbursement rates for Type B hospitals and the drug management actions require statutory changes to Oregon law. The ability to implement the drug management actions also depends upon approval of the federal Health Care Financing Administration. The Governor has indicated his intention to seek additional federal waivers and state law changes with the intent of increasing flexibility in OHP eligibility criteria and benefits design. A stated goal is to shift from commercial managed care organizations to smaller, community-based organizations, which specialize in serving OHP patients. This approach has been successful in central Oregon and is now moving to more populated areas of the state.

As noted above, the mental health component of the OHP-Medicaid program is in the budget of the Mental Health and Developmental Disability Services Division. The following table shows the combined budgets for a more complete picture of the OHP-Medicaid program.

Total OHP-Medicaid Expenditures (Medical and Mental Health) *

	General Fund	Other Funds	Federal Funds	Total Funds
OMAP OHP-Medicaid (medical)	773.1	297.1	1,583.8	2,654
MHDDSD OHP-Medicaid (mental health)	145.9	7.4	226.7	380
Total OHP Medicaid	919.0	304.5	1810.5	3,034

** $ in millions*

Combined General Fund expenditures for the OHP Medicaid physical and mental health programs increase $226.1 million (32.6%) over 1999-01 estimated expenditures of $692.9 million. The cost of prescription drugs, which increases over 60%, accounts for more than half of the increase ($126 million). The total amount budgeted for prescription drugs in the OHP is $885.3 million--$324.2 million General Fund. Considering all fund sources, the combined budget increases $480.5 million, which is an increase of 18.8% over the total 1999-01 cost of $2.554 billion.

The Governor's budget poses several risks that the 2001 Legislative Assembly will need to carefully consider. Most notable is the assumption of savings from actions that require state and federal approvals prior to implementation. If the approvals are not forthcoming, action will need to be taken to reduce costs by some other means. Another significant risk is the absence of flexibility in budgeting for changes in caseload and managed care enrollment. Experience shows that caseloads have never been precisely as forecast, even within the six-month periods between agency rebalance plans. If resources can be identified within the DHS budget, the 2001 Legislature may consider setting aside a reserve for caseload growth.

OMAP/OHP – Children's Health Insurance Program

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
Other Funds	2,017,519	8,144,886	2,684,102	10,855,517
Federal Funds	5,323,004	21,354,882	2,560,275	27,053,227
Total	**7,340,523**	**29,499,768**	**5,244,377**	**37,908,744**
Positions (FTE)	0.00	0.00	0.00	0.00

** Based on current law, which sunsets the 10-cent-per-pack tobacco tax surcharge in January 2002, thereby eliminating a current funding source for CHIP. The CSL that reflects the cost of continuing services if funding were extended is $38,710,086 ($11,082,697 Other Funds and $27,627,389 Federal Funds).*

Program Description

CHIP is a relatively new federal (Title XXI) program designed to improve the health of children by increasing their access to health care services. When first applying for the funds, states had flexibility in determining how the funds would be used, subject to approval of a state plan by the federal Health Care Financing Administration (HCFA). Oregon's plan was approved in March 1998, and the program was implemented in July 1998. It continues through the year 2005.

Oregon's plan takes advantage of the more favorable federal CHIP match rate (approximately 72% for CHIP versus 60% for Medicaid) to expand OHP services to more children than would be been covered if the funds were coming from Medicaid. Persons eligible for CHIP benefits receive the same application form, benefit package, and selection of health plans as the rest of the OHP population. In addition, CHIP eligibles may also receive chemical dependency services in an intensive residential setting. To qualify for CHIP, children must be ineligible for OHP-Medicaid benefits and have been uninsured, except for Medicaid, for six months prior to application.

Revenue Sources and Relationships

Tobacco tax revenue has been used to match federal CHIP funds on a 28% state to 72% federal basis. Availability of state matching funds determines how much CHIP money the state will receive. States have three years in which to spend each federal allocation. Oregon did not match all of the first year allocation within the

3-year period, so $18 million reverted to the federal government. The current unspent balance is $101.2 million with the Federal Fiscal Year 2001 allocation yet to be received.

Budget Environment and Performance Measures

Prior to 1997, the OHP covered PLM children through the age of five up to 133% of the federal poverty level. Using Measure 44 tobacco taxes as the state match, the 1997 Legislative Assembly expanded coverage to children through the age of 11 and up to 170% of the poverty level. Subsequently, when CHIP money became available, funding for the federal portion of this expansion was switched from Medicaid to CHIP. The additional federal dollars resulting from the higher match rate allowed further expansion without increasing the state's matching funds. This made it possible to cover children through the age of 18 up to 170% of the poverty level.

The budget considerations facing the OHP-Medicaid program also apply to the CHIP program with one significant exception. Unlike Medicaid, CHIP is not an entitlement program, so the number of children who can be served is capped based on the amount of funding available. Originally, it was thought that the 1999-01 budget would support a CHIP caseload of 16,800 children. Subsequent projections put the caseload that can be accommodated within the budget at approximately 18,000. If the funding ceiling were reached, the program would be closed until decreased demand or attrition generates sufficient capacity to resume enrollment. Among criteria Oregon is required to meet under its CHIP plan is conducting a specific outreach program. Frequently, the children identified in those outreach efforts qualify for Medicaid, so are not eligible for enrollment in CHIP. However, these outreach efforts can have a significant impact on the OHP-Medicaid program.

Several of the links to Oregon Benchmarks described under the OHP-Medicaid program apply also to CHIP, but separate targets and measures are not identified. For Benchmark 58 (Percentage of Oregonians without health insurance), one measure is the number of low-income children ages 0 through 18 who are enrolled in the OHP and CHIP programs. In 1994, the number was 245,753. The number has varied yearly, with a high of 265,209 in 1995, followed by two years of decline and then an increase in 1998. The 1999 enrollment was 260,908. The rather sharp increase between 1998 (249,107) and 1999 may have been influenced by establishment of CHIP in mid-1998. Most of these children, however, are covered in the Medicaid program, since CHIP resources limit the number of children that can be enrolled.

Governor's Budget

The Governor's budget uses continuation of the temporary 10-cent tobacco tax to maintain CHIP. The budget is a 33% increase over 1999-01 estimated expenditures, but 2% less than maintaining the current service level--assuming continuation of a funding source. The budget phases in the full biennium cost of a caseload that has grown more slowly than anticipated in the current biennium. Inflation and utilization increases are based on actuarial projections, which exceed 20% for the biennium. The reduction from current service level is due to two actions. The CPI increase for fee-for-service providers is reduce by half, saving a total of $130,610 ($37,028 from tobacco taxes), and funding for changes in caseload and managed care enrollment is adjusted to a "no-flexibility" level that does not accommodate any potential variance from projections. The second action reduces the budget a total of $670,731 ($190,152 from tobacco taxes).

OMAP – Non-OHP Medical Programs

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	41,069,988	56,356,970	77,349,838	77,980,268
Other Funds	973,680	1,770,957	2,140,873	2,195,465
Federal Funds	58,668,593	82,651,745	108,067,275	109,031,716
Total	**100,712,261**	**140,779,672**	**187,557,986**	**189,207,449**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The OMAP budget covers medical services that are not part of the Oregon Health Plan Medicaid expansion. Services are provided to two major eligibility groups:

- The *Medically Needy Oregon Supplemental Income Program (MN-OSIP)* provides for reimbursement of prescription drugs and other medical costs not covered by Medicare for OSIP clients whose incomes are

133% of the standard for cash assistance to needy families or who have high medical expenses that reduce their incomes to that level.

- *Qualified Medicare Beneficiaries (QMBs) and Special Low Income Medicare Beneficiaries (SLMBs*) are individuals who currently receive Part A Medicare coverage and have incomes up to 100% of the Federal Poverty Level (FPL) and 120% of the FPL respectively. For QMBs, OMAP pays the Medicare Part B premium and any applicable coinsurance or deductible that is not paid by Medicare. For SLMBs, only Medicare Part B premiums are covered.

Revenue Sources and Relationships

The General Fund appropriation and Other Funds revenue from drug rebates are used to match federal Title XIX Medicaid funds at the rate of approximately 60% federal to 40% state funds. When the annual federal match rate change is unfavorable to the state, General Fund is used to offset the loss of federal resources. The Governor's budget for 2001-03 includes $1.6 million General Fund and $0.2 million Other Funds to offset a reduction in the Medicaid match rate, which goes from 60.05% to 59.50 percent.

Budget Environment and Performance Measures

Due primarily to the increasing population of elderly persons and their relatively high usage of prescription drugs, non-OHP caseloads and costs continue to grow much faster than the normal rate of inflation. The average number of clients served each month has increased steadily during the past three bienniums and is projected to grow 13% in 2001-03. So far in 1999-01, Non-OHP caseloads have averaged 17,956 a month and are expected to average 20,281 in 2001-03. In addition to caseload increases, costs are affected by changes in federal match rates and Medicare policies, especially the rapidly increasing cost of prescription drugs.

No specific performance measures have been identified for the No-OHP medical programs. OMAP will report measures under development during the upcoming legislative session.

Governor's Budget

The Governor's budget adds $630,430 General Fund, $54,592 Other Funds, and $964,411 Federal Funds to reflect anticipated caseload increases in the Medically Needy program due to eliminating coverage for certain long term care conditions in the Senior and Disabled Services Division. The SDSD reduction resulted in $2.9 million General Fund savings to that division, for a net savings of $2.3 million. Otherwise this program is funded at the current service level as adjustment to reflect the impact of the DHS budget rebalance approved by the Emergency Board in November 2000.

OMAP – Program Support and Administration

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	15,210,000	18,396,105	18,275,799	18,781,969
Other Funds	10,641,681	13,689,164	14,002,050	14,002,050
Federal Funds	35,503,472	47,113,571	46,144,203	47,193,561
Total	**61,355,153**	**79,198,840**	**78,422,052**	**79,977,580**
Positions (FTE)	176.55	182.91	184.53	202.03

Program Description

This unit provides the program support and administration for the Medicaid and CHIP components of the Oregon Health Plan (OHP) and a small group of medical services outside the Plan. OMAP is the lead agency for implementing the OHP, although other DHS divisions and programs share administrative responsibility, and the Office of Oregon Health Plan Policy and Research in the Department of Administrative Services provides research and policy guidance. OMAP administers managed care contracts; makes capitation payments to managed care plans; distributes provider guides and administrative rules; and pays non-managed care fee-for-service claims for covered professional medical, hospital, and pharmacy services. OMAP Administration consists of the following three sections:

- ***Administration*** is responsible for overall management of OMAP, including budget preparation and execution, rate setting for managed cares plans; hospital audits; administrative hearings; and implementation of Medicaid policy changes.
- The ***Program Operations Section*** coordinates with the Office of Information Systems (OIS) in the DHS Director's Office for operation of the Medicaid Management Information System (MMIS), the automated claims payment and reporting system for the Medicaid Program. Most of the MMIS staff has been

transferred to OIS as part of the agency's administrative consolidation effort, but responsibility for integrity of the system remains with the OMAP Administration unit. Responsibilities include assuring accurate payment of fee-for-service claims and managed care capitation payments; reviewing exceptional claims; training providers; and resolving billing problems. The Section also monitors managed care encounter data and operates a provider hotline.

- The ***Program and Policy Section*** plans, analyzes, and implements medical programs and policies for the OHP and is responsible for day-to-day operations of the Plan. The Section ensures that programs operate within state and federal laws, monitors program utilization, and writes and distributes all rules and provider guide materials.

Revenue Sources and Relationships

Other Funds constitute 16% of OMAP Administration's estimated expenditures for 1999-01 and 17% in the Governor's recommended budget for 2001-03. The primary source of revenue is from pass-through funds that are transferred to OMAP from three school districts, other DHS divisions, and the Office for Oregon Health Plan Policy and Research in order to obtain federal Medicaid matching funds. Once the federal match has been received, the original transfer and the federal funds are returned to the transferring agency. A small amount of Other Funds revenue (one half of 1%) comes from tobacco tax receipts.

Generally, federal Title XIX Medicaid funds match state resources for OMAP Administration on a 50-50 basis. The Medicaid Management Information Systems staff and skilled medical professional personnel are matched at 75% federal to 25% state, and certain planning functions are matched at 90% federal to 10% state. Overall, Federal Funds support 59% of Program Support and Administration costs.

Budget Environment and Performance Measures

Workload and costs for OMAP Administration are directly tied to the number of persons eligible for medical services and the complexity of the programs offered. Implementation of the CHIP program with its separate reporting requirements added to the quantity and complexity of the unit's administrative workload. A decade ago, when most Medicaid services were on a fee-for-service basis, OMAP processed 11.3 million claims and related transactions with a staff of 229 FTE. For the current biennium, OMAP will process approximately 48.5 million claims, managed care payments and related transactions with a permanent staff of 187 FTE. OMAP Administration operates under strong pressure to minimize costs while at the same time providing the appropriate level of administrative oversight of the OHP. During the 1999-01 biennium, efficiencies were achieved by improving claims processing, installing a pharmacy point-of-sale and drug utilization review system, maintaining data entry productivity with fewer data entry staff, and contracting out certain services. As managed care providers have moved out of rural areas of the state, OMAP has found it necessary to contract for additional administrative support to help process the growth in fee-for-service claims. OMAP estimates that it will process 53.5 million transactions during the 2001-03 biennium.

A major challenge to the unit involves working with the Medicaid Management Information System (MMIS), the computer system that automates claim payments. A 1997 audit report issued by the Secretary of State Audits Division noted that under MMIS there were insufficient controls to ensure appropriate payment of claims. The audit recommended the addition of staff necessary for timely resolution of system errors. Subsequently, the Emergency Board approved 12 additional positions for the agency's central Information Services Office. The 1999 Legislative Assembly approved the planning phase of a project to replace the system. Federal Funds will support 90% of the replacement cost. Current funding, and any that might be authorized in 2001-03, is in the budget of the Office of Information Systems in the DHS Director's Office.

OMAP is in the process of developing performance measures for the administrative unit. Some are workload or output measures, and others focus more on outcomes. They will report on the measures during the upcoming legislative session.

Governor's Budget

The Governor's General Fund budget of $18.8 million is 3.2% higher than 1999-01 estimated expenditures and 2.1% more than funding the current service level. The increase above current service level is a combination of reducing the General Fund $108,567 and funding a policy option package that adds 16 positions (15.5 FTE) to address the workload increase related to processing more fee-for-service claims. Processing fee-for-service claims is more labor intensive, because a payment is made for each service or encounter, rather than a monthly payment for all services, as is the case with managed care providers. Funding for the increase totals $1.6 million ($506,170 General Fund and $1,049,358 Federal Funds).

DHS/Mental Health & Developmental Disability Services Div (MHDDSD) – Division Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	474,048,954	647,762,421	724,225,626	774,721,280
Other Funds	51,215,690	97,785,383	90,088,273	90,020,857
Federal Funds	410,680,225	643,764,945	694,733,369	734,282,963
Total	**935,944,869**	**1,389,312,749**	**1,509,047,268**	**1,599,025,100**
Positions (FTE)	3,077.51	2,489.80	2,506.68	2,564.29

** Based on the DHS rebalance plan approved by the Emergency Board in November 2000.*

Division Description

The Mental Health and Developmental Disability Services Division (MHDDSD) consists of two major program areas: mental health services and developmental disability services. Mental health services are provided to people who have been clinically diagnosed as having a serious mental or emotional disorder. Illnesses include schizophrenia, bipolar disorder, and major depression. Diagnosed individuals typically have a normal to high measured intelligence, but people with low intelligence (developmentally disabled) also can have a mental illness. Medicaid-eligible persons receive mental health diagnoses and treatment under the Oregon Health Plan. Other services are delivered through contracts with private hospitals, through financial assistance agreements with county mental health programs, and by state staff at Oregon State Hospital and Eastern Oregon Psychiatric Center.

Developmental disabilities (DD) include mental retardation, cerebral palsy, Down's syndrome, autism and other impairments of the brain that occur during childhood. MHDDSD provides DD services to people with a measured IQ of 70 or lower. People are eligible for services based on the DD diagnosis. MHDDSD operates the Eastern Oregon Training Center and community group homes, and contracts for community residential and vocational programs, in-home support and other services throughout the state.

Revenue Sources and Relationships

Funding for MHDDSD programs is about 48% General Fund, 6% Other Funds and 46% Federal Funds. Nearly all of the federal funding comes from Title XIX Medicaid, which totals over $700 million. Medicaid funds support Oregon Health Plan mental health services, institutional care for some children and elderly patients, rehabilitative services in the community, Personal Care services, case management and some residential and vocational services. The Title XIX federal match rate is about 60% for program services and 50% for administration. The match rate, which is based on the economy of the state compared to the nation as a whole, is slightly lower in 2001-03 than in 1999-01; General Fund has replaced the lower federal revenues. Medicaid revenues include funding targeted for Disproportionate Share Hospitals (DSH) that serve a greater number of indigent patients. DSH funds are projected to be $15.8 million in 2001-03, a decrease of $6.4 million from 1999-01. The Center for Mental Health Services Block Grant ($8 million) and Developmentally Disabled Services Act grant ($2.1 million) are two other federal resources.

MHDDSD will receive $27.8 million Other Funds revenues from the Medicare Upper Limit plan. Under this plan, the Senior and Disabled Services Division (SDSD) uses $27.8 million General Fund from MHDDSD to match Federal Funds for payment to certain public health districts that operate nursing facilities. The payment is based on the difference between the maximum Medicare rate level for nursing facilities and Oregon's rate. The health districts will transfer most of the payment they receive back to the Department of Human Services as Other Funds, increasing total funds available for state services by the amount of the federal match. SDSD will transfer $27.8 million Other Funds to MHDDSD to replace the General Fund MHDDSD transferred to SDSD.

Other large sources of Other Funds are Oregon Health Plan (OHP) fee-for-service payments ($17.7 million) and patient resources ($12.6 million). MHDDSD receives fee-for-service payments from OHP Mental Health Organizations for services it provides in the Children and Adolescent Treatment Services program of Oregon State Hospital. Patient resources include Social Security benefits and private insurance, as well as personal assets. The Division also receives $2 million from Medicare for eligible patients who receive care in institutions. The Oregon Youth Authority and State Office for Services to Children and Families expect to transfer $8.7 million from their state and federal resources to pay for residential mental health services provided through MHDDSD. Counties will transfer about $5.5 million to MHDDSD to pay for services and match Federal Funds.

The budget anticipates $5 million in indirect costs paid by the federal government for 2001-03. MHDDSD will also receive $3.3 million in Other Funds to match Federal Funds for sheltered workshop services. This is part of the Worker's Compensation Funds payment approved in Senate Bill 288 (1999) to help providers after elimination of workers' compensation rebates. This is the last biennium of funding. The Department of Human Services will report to the 2001 Legislature on plans for longer-term program support. The Salem Rehabilitation Facility at Oregon State Hospital, which provides work training, generates about $2.2 million through the sale of wood products.

Budget Environment and Performance Measures

Over time, MHDDSD has shifted significant resources from large, state-owned institutional settings to local, community-based care and treatment for both mental health and developmental disability services. Timely services, delivered in the least restrictive setting possible, are the most effective in promoting health and independence. The cost per client is less, on average, for community-based services. Federal funding may be available to support community care costs, where institutional costs are predominately General Fund. However, program oversight and quality control become more complex as the types of services and methods of delivery become more diverse. There is also growing pressure for the state to increase compensation for direct care staff in the community. Wages for direct care staff have historically been under-market, making staff recruitment and retention difficult.

In fiscal year 1999-2000, 75% of the funding for mental health services was spent through community programs, compared to 37% spent through community programs in the 1987-88 fiscal year. This reflects the closure of Dammasch State Hospital in 1995 and downsizing at Oregon State Hospital in favor of alternative community services. Funding has been added for new mental health acute care beds, intensive community and residential programs, and extended care community placements for persons under jurisdiction of the Psychiatric Security Review Board. Mental health services for Medicaid-eligible persons are now delivered under the Oregon Health Plan.

The major state institution for developmentally disabled persons, the Fairview Training Center, closed in February 2000. This was part of a long-term plan to develop community placements and supports for its residents, improve wages for direct care staff in community homes, and expand community-based services for other developmentally disabled persons. Services for developmentally disabled persons are now delivered almost exclusively through regional and local partnerships, with the Eastern Oregon Training Center as the only state institution for the developmentally disabled.

Population growth, legal rulings and federal policies concerning treatment and funding are other factors that significantly affect the budgets of both programs. MHDDSD's budget has not been tied directly to Oregon's growing population; however, population growth means more persons in need of mental health or developmental disability services. Neither mental health services nor resources for developmentally disabled persons meet the estimated demand. Recent court rulings across the nation have supported individuals seeking access to state services. Oregon's settlement of the Staley v. Kitzhaber case phases in improved access to developmental disability services, with an estimated cost of $350 million total funds for the six-year phase-in. Similar service pressures apply on the mental health side. Community-based services are most limited for persons who are not covered by the Oregon Health Plan.

MHDDSD tracks performance measures for the percentage of children and adults who receive publicly-funded mental health services in relation to estimated demand. In fiscal year 1997-98, MHDDSD estimates 68% of children were served. By fiscal year 1999-2000, this had grown to 70 percent. For adults, 77% were served in fiscal year 1997-98 and 83% in 1999-2000. In the past two years, MHDDSD has also increased slightly the number of homeless adults and the percentage of adults aged 55 and up with severe mental illness who receive services, and the number of adults with severe mental illness who receive supported employment services. The agency has recently started tracking a number of other measures for employment status and income level of people receiving state-funded mental health services, and perceived service effectiveness.

Performance measures for developmental disability services are primarily client-based. The measures focus on in-home services, community-based housing, employment, and earnings. MHDDSD reports that 25% of families with a member with developmental disabilities received in-home supports in fiscal year 1999-2000. In the same time period, 41% of persons with developmental disabilities had community-based housing of their choice with adequate supports, and were employed. The average gross monthly earnings for those who received employment supports was $190.65 in March 2000, up from $133.28 in September 1999. High school to work transition is also measured: 28% of developmentally disabled high school students moved from school to competitive employment in fiscal year 1999-2000. MHDDSD also tracks residential providers' compliance as a measure of the agency's regulatory effectiveness.

Governor's Budget

The Governor's recommended budget for the agency is 19.6% General Fund and 15.1% total funds higher than 1999-01 estimated expenditures, and 7% General Fund and 6% total funds higher than current service level estimates. The two major factors in the increase are caseload growth and added resources in mental health services, and costs to implement the provisions of the Staley v. Kitzhaber settlement agreement on services for the developmentally disabled. Key budget elements include:

- System restructuring and service expansion for developmental disability services, as agreed to in the Staley v. Kitzhaber settlement ($43.3 million General Fund, $40.9 million Federal Funds, 34 positions, 28.46 FTE)
- Mental health services for children and families identified through screening as part of the Oregon Children's Plan ($3.5 million General Fund)
- Alternative community treatment beds for 20 children in Oregon State Hospital, and alternative services for other youth in psychiatric residential treatment facilities who can safely be treated in less restrictive community placements ($4 million General Fund)
- New staff and monitoring equipment to meet federal rule changes on patient seclusion and restraint at Oregon State Hospital and the Eastern Oregon Psychiatric Center ($2.2 million General Fund, $127,667 Federal Funds, 28 positions, 27.39 FTE)
- New staff and other resources to track patient and staff infections at Oregon State Hospital, and fund Hepatitis C treatment for 35 patients ($2.4 million General Fund, $191,917 Federal Funds, 2 positions, 1.76 FTE)
- Inflation increases for non-OHP community programs are eliminated ($4.2 million General Fund, $67,416 Other Funds, $1,171,733 Federal Funds)
- Reduced OHP funding to reflect cuts for long-term care services to some seniors in the Senior and Disabled Services Division budget, and for reductions in "threat of harm" foster care cases in the State Office for Services to Children and Families ($279,491 General Fund, $410,608 Federal Funds).
- MHDDSD cost savings from budget reductions in the Department of Human Services (DHS) Director's Office ($241,351 General Fund, $71,159 Federal Funds) and savings from the DHS departmental reorganization ($166,239 General Fund).

MHDDSD – Mental Health Community Programs

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	113,813,583	241,297,791	263,113,104	266,136,940
Other Funds	13,220,268	10,371,411	9,628,440	9,561,024
Federal Funds	69,542,412	241,071,506	272,419,920	270,837,579
Total	**196,576,263**	**492,740,708**	**545,161,464**	**546,535,543**
Positions (FTE)	5.53	0.00	0.00	0.00

Program Description

State-funded mental health services are provided to children, adolescents and adults who have severe mental disorders. Special emphasis is placed on serving persons who meet the definition of having a chronic mental illness. Community mental health programs serve over 64,000 adults and 37,000 children and adolescents. Day and residential treatment facilities serve almost 2,500 children and adolescents in a two-year period. Other services include crisis and pre-commitment services, foster and residential care, supported employment, and other specialized services.

Mental health community services are provided through county and other local governments, private non-profit organizations, private hospitals, and health plans. Community mental health programs operate in every county of the state, and counties are statutorily required to provide pre-commitment services. For eligible clients, the Oregon Health Plan (OHP) covers all medically appropriate mental health services for conditions that are funded under the OHP prioritized list of services and treatment procedures. Mental health services under the OHP are provided by individual counties, groups of counties or fully capitated health plans. For individuals and services not covered under the OHP, the Division funds a variety of services that include supported housing and employment opportunities; clinic-based outpatient care; local crisis services; regional acute care facilities; and, as a last resort, referral to state psychiatric hospitals.

Revenue Sources and Relationships

In addition to Title XIX Medicaid funding described above, the federal Center for Mental Health Services Block Grant provides funding for adult community support services and for local services for severely emotionally disturbed children and adolescents. MHDDSD also receives federal funding for the Projects for Assistance in the Transition from Homelessness ($600,000) in Marion and Multnomah counties and Other Funds from Multnomah County to match federal Medicaid funds to create more slots in the Multnomah psychiatric day treatment program.

Budget Environment and Performance Measures

Recent advances in drug treatment have improved the lives of many people with mental illness. As a result, the long-term need for institutional beds has declined and the need for community-based alternatives has increased. The number of people with identified mental health needs, however, has been increasing at a rate even greater than the increase in the general population. For example, from 1997-98 to 1999-2000 there has been a 38% increase in the number of adults identified as needing long-term care. Many mental health services cannot be fully funded under the Medicaid program, including residential room and board, supported employment services, case management, pre-commitment services, and housing development. Also, many people who need mental health services are not eligible for Medicaid, even under the OHP expansion. There are insufficient resources to meet the demand for mental health services for the non-Medicaid eligible population. At the direction of the 1999 Legislature, MHDDSD undertook a $1.9 million General Fund pilot program to provide atypical anti-psychotic medications to individuals not otherwise able to access those medications. A report on the pilot program is due to the 2001 Legislature. However, funding for the program is not continued in 2001-03.

The system of intermediate and long-term care for mentally ill people is at or above capacity. As Oregon's population increases, there will likely be more people with severe mental illness who will require extended treatment. When appropriate care beds are not available, placements may occur that are inappropriate from both economic and treatment perspectives. MHDDSD received additional resources in the 1999-01 budget and in rebalance plans during the biennium for critical needs in community-based care, secure residential treatment, and acute care beds. Long-term growth in this area is expected.

Growth is also occurring in forensics programs for persons under the jurisdiction of the Psychiatric Security Review Board (PSRB), people being evaluated for fitness to proceed with trials, and in the service system for children needing mental health treatment. The 1999-01 budget funded additional extended care community placements for adults under PSRB's jurisdiction who can safely be released from the Oregon State Hospital into the community. However, the 2001-03 forensic caseload is expected to be 10% higher than in 1999-01, and more community placement resources will be needed. MHDDSD, the State Office for Services to Children and Families, the Oregon Youth Authority and schools have developed and jointly manage a system of residential and community-based programs for children needing intensive treatment. The number of children served in these programs has grown from 44 in 1987-88 to 1,652 in 1999-2000, a growth rate of 51% per year.

Governor's Budget

The Mental Health Community Programs budget is 10.3% General Fund and 10.9% total funds higher than 1999-01 estimated expenditures. It is 1.1% General Fund and 0.3% total funds higher than current service level estimates. The increases from 1999-01 expenditures are primarily from higher caseloads in PSRB clients and civil commitments, as well as Oregon Health Plan caseload and cost increases. MHDDSD's budget includes $145.9 million General Fund, $7.4 million Other Funds, and $226.7 million Federal Funds for Oregon Health Plan mental health services.

Major changes in the Governor's budget for mental health community programs are:

- Added funding for mental health services for children and families identified as needing services in screenings under the Governor's Oregon Children's Plan ($3.5 million General Fund)
- New alternative community treatment beds for 20 children now at Oregon State Hospital (OSH) and alternative services for other youth in psychiatric residential treatment facilities who can safely be treated in less restrictive settings ($4 million General Fund). One ward at the OSH Children's and Adolescent Treatment Program may be closed in connection with this community enhancement.

- No inflation increases for non-OHP community programs ($4.2 million General Fund, $67,416 Other Funds, $1,171,733 Federal Funds)
- Reduced OHP funding to reflect cuts for long-term care services to some seniors in the Senior and Disabled Services Division budget, and for reductions in “threat of harm” foster care cases in the State Office for Services to Children and Families ($279,491 General Fund, $410,608 Federal Funds).

MHDDSD – Mental Health State-Operated Programs

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor’s Recommended
General Fund	77,445,455	84,757,526	103,274,728	107,886,892
Other Funds	22,331,108	50,136,866	50,095,948	50,095,948
Federal Funds	43,586,723	31,755,633	26,513,967	26,833,551
Total	**143,363,286**	**166,650,025**	**179,884,643**	**184,816,391**
Positions (FTE)	1,149.86	1,213.25	1,282.27	1,311.42

Program Description

MHDDSD operates facilities in Salem, Portland, and Pendleton for patients who have a severe mental illness. The Oregon State Hospital (OSH) provides psychiatric evaluation and diagnosis, as well as intermediate and long-term inpatient care. Oregon State Hospital - Salem includes 48 buildings on a 148-acre campus. One-third of the space was constructed between 1883 and 1912. The newest building was built in 1955. Oregon State Hospital - Portland is in leased space near the Lloyd Center. In 1999-01, OSH is budgeted for 672 beds:

- Adult treatment services are provided in 2 wards on the Salem campus and 3 wards at Portland for 133 mentally ill patients who have been civilly committed.
- Child and Adolescent services provide treatment to an average of 60 children and adolescents per day ages 4 – 17 in three wards at OSH.
- Geropsychiatric services for elderly persons include 114 beds, with elderly persons in 3 wards and specialty services for neurologically impaired patients of all ages in a fourth ward.
- Forensic services are provided through 269 beds on 8 wards, 96 residential beds on 2 wards, and a transitional living house on the hospital grounds. The programs provide evaluation and treatment, residential and transition services.

The Eastern Oregon Psychiatric Center (EOPC) in Pendleton serves 60 adult general psychiatric patients at any one time, including 10 regional acute psychiatric care beds.

Revenue Sources and Relationships

Federal funding, primarily from Title XIX, pays part of the cost of care for certain patients under age 21 or over 65. The state hospitals also receive federal Disproportionate Share Hospitals (DSH) funding, for serving a higher proportionate share of low-income patients. The DSH revenue is expected to be about $6.4 million less in 2001-03 than in 1999-01. The 1999-01 budget included $7.5 million Other Funds from Oregon Health Sciences University as a partial replacement for reduced DSH levels at the state hospitals. As originally agreed, this transfer is not continued in 2001-03.

Other Funds come from patient resources (primarily Social Security and Veterans benefits), federal Medicare revenues, insurance, OHP payments, Salem Rehabilitation Facility of Oregon State Hospital revenues, and a variety of other sources. This program unit includes $17.8 million Other Funds from the Senior and Disabled Services Division (SDSD) as part of the Medicare Upper Limit plan, an increase of $7.5 million from 1999-01. The Other Funds from this transfer replace a like amount of General Fund that MHDDSD transfers to SDSD.

Budget Environment and Performance Measures

Oregon State Hospital has gone from a peak population of 3,545 in 1958 to its current population of 672 residents. In the process, the role of the hospital has changed from a focus on custody and care to providing active specialized psychiatric treatment. Admission to one of the state’s psychiatric hospitals is now limited to patients who are too dangerous to themselves or others to be treated in community-based programs.

The state is required to serve persons who are civilly or criminally committed for treatment or are assigned by the court for evaluation of fitness to proceed. In fiscal year 1990-91, there were about 2,000 involuntary admissions to state and local acute care hospitals (excluding criminal court commitments). By fiscal year 1999-

2000, there were an estimated 3,037 individuals admitted to local acute care facilities, a 52% increase in the number of involuntary admissions in 1990-91. The forensics population at Oregon State Hospital has increased from 328 in 1996 to 382 in 2000. Past budgets have not automatically increased based on involuntary admissions or forensics growth. For 2001-03, MHDDSD estimates the increased number of commitments will require establishing two new wards at OSH.

In addition to the cost of specialized psychiatric treatment, the cost for new psychotropic medications and other pharmaceuticals continues to increase significantly. New regulations add costs for staffing and program improvements needed to maintain program accreditation and state and federal certifications. MHDDSD added some resources during the 1999-01 biennium to begin to implement recent rule changes by the Health Care Financing Administration requiring more oversight when patients are secluded or restrained.

Governor's Budget

The Governor's budget is 27.3% General Fund and 10.9% total funds higher than 1999-01 estimated expenditures. It is 4.5% General Fund and 2.7% total funds higher than current service level estimates. The current service level budget includes General Fund to replace federal Medicaid and DSH revenue reductions from 1999-01. It also adds $7.4 million General Fund and 74 positions (63.94 FTE) for two new wards at OSH to serve persons civilly or criminally committed to the state hospital.

The budget funds two enhancements to current service levels:

- New staff and monitoring equipment to meet federal rule changes on patient seclusion and restraint at Oregon State Hospital and the Eastern Oregon Psychiatric Center ($2.2 million General Fund, $127,667 Federal Funds, 28 positions, 27.39 FTE)
- New staff and other resources to track patient and staff infections at Oregon State Hospital, and fund Hepatitis C treatment for 35 patients ($2.4 million General Fund, $191,917 Federal Funds, 2 positions, 1.76 FTE)

MHDDSD – Mental Health Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,809,158	6,006,707	6,257,430	6,222,603
Other Funds	82,489	66,072	70,426	70,426
Federal Funds	1,997,102	3,005,984	3,176,712	3,176,712
Total	**6,888,749**	**9,078,763**	**9,504,568**	**9,469,741**
Positions (FTE)	43.14	52.21	52.33	52.33

Program Description

The Office of Mental Health Services (OMHS) administers and coordinates the public mental health system. In addition to planning and policy development for mental health services, the Office is responsible for overseeing community services, extended care, quality assurance, and licensing. The Extended Care Management Unit manages the triage of persons from local acute care hospitals to state hospitals. The Office certifies or licenses 33 county mental health programs, 107 subcontracting agencies and 11 mental health organizations. OMHS also certifies 15 acute psychiatric hospital programs, 21 other facilities with psychiatric hold rooms, one secure transport program, and 28 psychiatric day treatment programs serving children and adolescents. The Office licenses 146 residential programs ranging from adult foster care to certified psychiatric treatment facilities. Further, OMHS certifies 64 privately funded non-inpatient providers of mental health services.

Revenue Sources and Relationships

Federal Title XIX Medicaid funds support 50% of administrative costs associated with Medicaid-eligible clients. Other Funds are from miscellaneous receipts.

Budget Environment and Performance Measures

There has been increased focus in recent years on the mental health service system, with a goal of safe, efficient and effective service delivery. This has underscored the need for thoughtful policy-making and oversight from MHDDSD and other system stakeholders.

Also, as resources have been shifted from institutional care to community facilities and programs, the need for appropriate oversight and coordination has expanded. Between 1991 and 1998, there was been a 269% increase in the number of licensed residential beds in the mental health system.

Governor's Budget

This budget is 3.6% General Fund and 4.3% total funds higher than expected expenditures for 1999-01. The Governor's budget funds the Office's activities at current service levels, with a $34,827 General Fund reduction for expected savings from the Department of Human Services reorganization.

MHDDSD – Developmental Disability Community Programs

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	177,180,929	247,758,366	278,551,290	315,736,626
Other Funds	5,613,034	13,774,479	12,709,894	12,709,894
Federal Funds	191,235,045	281,021,257	311,771,367	349,167,118
Total	**374,029,008**	**542,554,102**	**603,032,551**	**677,613,638**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Community services for developmentally disabled persons are almost 85% of total state Developmental Disability (DD) expenditures. Services include case management, residential care, vocational and employment services, family support, and crisis / diversion. The Division contracts with county governments, who in turn generally sub-contract with non-profit organizations for direct delivery of services. Community residential services range from once-a-week monitoring to daily, 24-hour supervision and care. Services are delivered in group homes, foster homes, and through supported living in conventional housing. Vocational services include out-of-home training, employment, and support in community-based centers, workshops, and private business settings. County case managers are the main point of entry for services.

Community-based care is also provided in state-operated group homes for individuals who are difficult to place in regular community programs. These clients have severe disabilities and are almost totally dependent upon specially trained staff for the delivery of services.

Revenue Sources and Relationships

DD Community Programs are primarily funded with General Fund and Federal Funds. Other Funds revenues are less than 2% of DD Community Programs expenditures. MHDDSD receives county funds from several counties to leverage federal Medicaid funds for case management and transportation services, which it returns to the counties. Federal Funds, which support slightly more than half of the total program budget, are from Title XIX Medicaid.

Budget Environment and Performance Measures

Since 1981, the Division has operated under legislative direction to decrease the number of persons in state-operated training centers and establish community-based services as the primary system of care. The 1997 Legislature approved the Division's Long Range Plan for Developmental Disability Services. This plan moved Fairview Training Center residents to new community programs and closed the state-operated facility in February 2000.

With Fairview's closure, the state maintains only 65 state training center beds, at Eastern Oregon Training Center in Pendleton. Diversion programs are administered at the regional level, to manage services for individuals who need long term care. Caseloads in diversion programs for adults and children continue to grow. MHDDSD expects phased-in growth for 116 adults and 179 children in the 2001-03 biennium.

Over the last two biennia, the Long Range Plan used some of the savings from Fairview's phase-out to increase wages for direct care staff in community homes. These increases, and other increases approved separately, have just kept pace with increases in the minimum wage and cost of living. As a result, direct care staff wages, on average, are still below market wages for other comparable work. This is a continuing issue for staff recruitment and retention.

The state has historically not funded developmentally disabled services as an entitlement. The Long Range Plan redirected some of the savings from Fairview's phase-out to expand community services for many of the people on waiting lists for services. However, the plan recognized that the resources available would not fully meet the demand for services. In January 2000 the state was sued in Staley v. Kitzhaber, with a central premise that persons with developmental disabilities who are eligible for Medicaid-funded services are entitled to receive services with reasonable promptness. In other states, similar lawsuits have resulted in court orders or settlements requiring additional services. Oregon settled the lawsuit with an agreement that expands access to services for developmentally disabled persons over a 6-year period. The agreement continues limited access to 24-hour residential care, but offers universal access to less-expensive in-home or other support services. Over the 6-year period, 300 adults will receive residential care, and almost 4,700 adults and children will receive in-home or personal supports. The Emergency Board approved start-up funds in November 2000. The total cost of the agreement through the 2005-07 biennium is estimated at $350 million, with federal Medicaid funds expected to cover about 60% of this amount.

Governor's Budget

The Governor's recommended budget is 27.4% General Fund and 24.9% total funds higher than estimated expenditures for 1999-01. It is 13.4% General Fund and 12.4% total funds higher than current service level. The budget funds the first phase of services under the Staley v. Kitzhaber settlement agreement, including projected caseload growth in crisis diversion services not funded in the current service level budget.($37.2 million General Fund, $73.7 million Federal Funds). Under the agreement, MHDDSD will add residential services for 100 adults in 2001-03, and support services for almost 1,900 adults and children. The funds will also be used to restructure the regional administrative system and reduce caseloads for local case managers by half, to provide one case manager per 45 clients.

MHDDSD – Developmental Disability State-Operated Facilities

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	69,276,045	41,726,139	44,073,337	44,073,337
Other Funds	4,310,845	2,227,071	1,904,945	1,904,945
Federal Funds	91,955,391	68,351,296	58,392,873	58,392,873
Total	**165,542,281**	**112,304,506**	**104,371,155**	**104,371,155**
Positions (FTE)	1,723.13	1,024.89	970.63	970.63

Program Description

MHDDSD operates the Eastern Oregon Training Center (EOTC) in Pendleton and 32 community group homes for the developmentally disabled. EOTC provides intermediate care facility services for 65 adults with developmental disabilities. It also operates a short-term crisis stabilization unit for individuals who live in the community. The intermediate care facility offers a wide range of treatment services including health and medical care, personal care, recreation, occupational and physical therapy, skills training, education and vocational training, social services, psychological services and community support.

The 32 group homes are located in Clackamas, Lane, Linn, Marion, Multnomah, Polk, Washington and Yamhill counties, serving 156 people. The state-operated group homes use state employees to provide residential care to developmentally disabled persons with severe medical and behavioral disabilities.

Revenue Sources and Relationships

Other Funds support less than 2%of program costs. These come primarily from patient resources, such as Social Security and Veterans benefits. About 56%of the costs are paid by Federal Funds from Title XIX Medicaid for Medicaid-eligible clients. All of EOTC's residents are Medicaid-eligible.

Budget Environment and Performance Measures

Costs for state-operated facilities have been declining as a result of the state's policy to serve developmentally disabled persons in their communities rather than in state institutions. Under the state's Long Range Plan for Developmental Disability Services, the Fairview Training Center closed in February 2000. Residents were moved from Fairview to community programs, including some state-operated group homes. EOTC remains open as a statewide training center.

Governor's Budget

The Governor's budget is 5.6% General Fund higher but 7.1% total funds less than 1999-01 estimated expenditures. The current service level budget reflects reduced federal Medicaid funding, reductions in Fairview Training Center expenditures and phased-in costs for state-operated group homes added in 1999-01. The budget includes $3.3 million General Fund to maintain the physical plant at Fairview until it is sold.

MHDDSD – Developmental Disability Administration

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,604,704	7,485,477	8,253,211	8,945,670
Other Funds	91,738	216,165	221,568	221,568
Federal Funds	3,873,079	6,851,281	7,644,466	8,415,940
Total	**8,569,521**	**14,552,923**	**16,119,245**	**17,583,178**
Positions (FTE)	80.57	114.91	117.16	135.66

Program Description

This section oversees and supports the DD Community Programs and DD State Operated Facilities, including the Eastern Oregon Training Center. It plans programs, develops resources, sets standards, provides consultation and technical assistance, provides support for the State Training Center Review Board, and monitors and evaluates state programs for people with developmental disabilities.

Revenue Sources and Relationships

Although General Fund supports most of these administrative operations, licensing fees provide Other Funds to help pay related costs. Federal Title XIX funds pay 50%of administrative costs for Medicaid-related services. The federally funded Foster Grandparents program has been transferred to the DHS Director's Office.

Governor's Budget

The Governor's budget is 19.5% General Fund and 20.8% total funds higher than estimated expenditures for the 1999-01 biennium. It is 8.4% General Fund and 9.1% total funds higher than current service level estimates. The budget includes $771,439 General Fund, $771,474 Federal Funds and 21 positions (18.50 FTE) for workload to support the plan for universal access to developmental disability services. This adds central office staff to process criminal background checks, coordinate quality assurance activities, and manage the plan's operations and budget. A $78,980 General Fund reduction is made for savings expected from the DHS reorganization plan.

MHDDSD – Central Administration

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	18,332,478	8,384,386	9,328,826	9,545,925
Other Funds	5,566,208	20,993,319	15,457,052	15,457,052
Federal Funds	4,524,298	7,354,876	9,968,380	10,406,396
Total	**28,422,984**	**36,732,581**	**34,754,258**	**35,409,373**
Positions (FTE)	75.28	84.54	84.29	94.25

Program Description

This program unit is responsible for program planning, resource development, technical assistance, and monitoring and evaluating state-funded programs for MHDDSD clients. It includes support staff for the State Developmental Disabilities Council. The Office of the Administrator directs and supervises all programs to assure attainment of Division goals and the discharge of legal duties. The Office handles client abuse investigations. The Office of Finance is responsible for rate setting, budgeting, contracting, and program compliance review.

Revenue Sources and Relationships

The Medicare Upper Limit plan provides $10 million Other Funds in place of $10 million General Fund in this unit. With the continuation of this fund shift in 2001-03, General Fund supports only 27% of Central Administration expenditures. Federal Funds from Medicaid and smaller grants support 29.4 percent. Other Funds from the Medicare Upper Limit plan, patient resources and insurance, indirect cost recoveries, and interagency transfers fund 43.6% of the unit's costs.

Governor's Budget

The budget for these activities is 13.8% General Fund more, but 3.6% total funds less, than 1999-01 estimated expenditures. The budget is 2.3% General Fund and 1.9% total funds higher than current service level estimates. Program cuts in the Department of Human Services' Director's Office and the DHS reorganization plan are projected to save $293,783 General Fund and $71,159 Federal Funds in costs for this program unit. Funding and staff are added for increased licensing and complaint investigation activity ($510,882 General Fund, $509,175 Federal Funds, 13 positions, 9.96 FTE). These enhancements are needed to support expanded services under the Staley v. Kitzhaber settlement agreement.

MHDDSD – Local Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	7,441,407	9,211,085	10,210,382	15,009,969
Federal Funds	3,966,175	4,353,112	4,845,684	7,052,794
Total	**11,407,582**	**13,564,197**	**15,056,066**	**22,062,763**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Local administration provides local county management of community mental health and developmental disability services. Work includes local planning and resource development; coordination of community services with state hospital and training center services; negotiation and monitoring of contracts and subcontracts; and documentation of service delivery compliance with state and federal requirements. The program also includes the budget for Personal Care nurses in counties that employ or contract with nurses to assess the level of personal care required for foster home residents.

Local administration funds go to 35 contractors, including most counties or multi-county providers, who are responsible for service delivery. Payments from MHDDSD reimburse contractors for about 63% of their total costs; most of the difference comes from county general funds.

Revenue Sources and Relationships

Federal Funds from Title XIX Medicaid support eligible local administrative activities.

Governor's Budget

This budget is about 63% General Fund and total funds higher than 1999-01 estimated expenditures, and about 47% General Fund and total funds higher than current service level expenditures. The current service level budget reflects caseload growth for Oregon Health Plan mental health services and community services for developmentally disabled children. The most significant increase, however, comes from $4.8 million General Fund and $2.2 million Federal Funds to support expanded local workload for the Staley v. Kitzhaber settlement agreement.

MHDDSD – Capital Improvements

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,145,195	1,134,944	1,163,318	1,163,318
Total	**1,145,195**	**1,134,944**	**1,163,318**	**1,163,318**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

MHDDSD owns two psychiatric hospitals and a training center on facilities located in Salem and Pendleton. The campuses include about 100 buildings, some as old as 115 years old, and a total of 1.4 million square feet. There are roads, sidewalks, parking areas, water and sewer systems, and heating and electrical systems.

Revenue Sources and Relationships

The General Fund has been the primary source of capital improvement funds. If possible, Other Funds from institutional sources, such as patient reimbursements, or from land sale proceeds are also used.

Budget Environment and Performance Measures

Over time, MHDDSD has not been budgeted to reflect the real costs of operating and maintaining its facilities. As a result, a number of the older buildings can no longer be used due to their poor condition. Even if the buildings were in good repair, the facility layout does not support contemporary treatment requirements and methodologies. The Department of Administrative Services Capital Projects Advisory Board has recommended MHDDSD conduct condition assessments and develop master plans for both the Salem and Pendleton campuses. Almost any proposal for facility renovation or replacement will have significant costs attached.

MHDDSD must maintain the facilities it uses in a condition adequate to satisfy state and federal regulatory agencies and meet program licensing and certification requirements. In recent biennia it has received slightly over $1 million General Fund for its most critical needs. For 2001-03, MHDDSD has identified priority needs in water systems, sidewalks, sanitary and storm sewers, and ward remodeling projects. It has identified another $2.6 million needed to address security and safety issues, compliance with federal Americans with Disabilities Act standards, space issues and yard improvements.

MHDDSD owns the buildings and land at the former Dammasch State Hospital and Fairview Training Center. The Department of Administrative Services is responsible for the sale of these properties. Once sold, proceeds from the sales of Dammasch and Fairview will go into trust funds to support services for mentally ill and developmentally disabled persons.

Governor's Budget

The Governor's budget continues funding for capital improvements at the 1999-01 level plus 2.5% biennial inflation.

DHS/Senior and Disabled Services Division (SDSD) – Division Totals

	1997-99 Actual	1999-01 Estimated [1]	2001-03 Current Service Level [1]	2001-03 Governor's Recommended
General Fund	361,464,081	447,074,389	525,641,858	472,265,495
Other Funds	59,187,474	80,995,764	66,977,960	84,604,156
Federal Funds	572,948,441	698,021,333	767,103,079	733,903,753
Total	**993,599,996**	**1,226,091,486**	**1,359,722,897**	**1,290,773,404**
Positions (FTE) [2]	740.98	853.14	1040.11	988.94

1 *Based on the DHS rebalance plan approved by the Emergency Board in November 2000.*

2 *The FTE position count does not include the non-state employees in the Area Agencies on Aging (AAA) for which SDSD provides funding. The Governor's recommended budget supports 745.48 FTE AAA positions.*

Division Description

The Senior and Disabled Services Division's (SDSD) mission is to provide leadership for seniors and persons with disabilities through programs that enhance independence, dignity, choice, and individual well being. To accomplish its mission, SDSD plans, coordinates, and monitors programs that meet the health, social and protective services needs of elderly and disabled persons.

SDSD administers these programs through a network of state offices and county agencies. The county agencies are called Area Agencies on Aging (AAAs). In all parts of the state, AAAs manage the federal Older Americans Act—legislation that provides funding for congregate meals, information and referral services, transportation, and "meals on wheels." The state offices and, in the more populated areas of the state, AAAs provide case management services for seniors and persons with disabilities. Case managers help eligible individuals and families to organize long-term care plans and apply for cash assistance benefits such as Supplemental Security Income. The Division provides financial assistance with the costs of long term care through the Medicaid Long Term Care and Oregon Project Independence (OPI) programs. It offers cash assistance grants for eligible persons with disabilities through its General Assistance and the Oregon Supplemental Income Programs (OSIP).

Other Revenue Sources and Relationships

Other Funds revenues include estate recoveries ($26.6 million), Supplemental Security Income reimbursements ($12.3 million), licensing fees ($0.5 million), pre-admission screening fees ($0.8 million), and funds from local governments and other agencies ($8.2 million).

Another source of Other Funds revenue is client contributions ($14.4 million). Although many clients directly supplement payments made to various long-term care providers, clients who receive in-home care make these payments to SDSD, which in turn pays the in-home care providers.

Federal Funds come from Title XVIII (Medicare - $2.7 million) and Title XIX (Medicaid - $701.4 million) of the Social Security Act. Medicare funds do not require state matching funds. However, Medicaid funds require a 50% state match for funds used to support administrative functions and about a 40% match for direct services. The Division also receives federal Older Americans Act funding ($22.9 million) and Food Stamp administration funds ($4.6 million) for determining eligibility for SDSD clients. Food Stamp benefits are included within the Adult and Family Services Division budget.

Budget Environment and Performance Measures

The primary budget driver for SDSD is growth in the elderly population (primarily over 85 years of age) as well as growth in the number of persons with disabilities. The state's population over 85 years of age is expected to grow about 8% from the 1999-01 biennium to the 2001-03 biennium. This growth rate is faster than that of the general population of Oregon, which is expected to grow about 2.3% during the same time period. In addition, because Oregon's population overall is aging as baby-boomers grow older, the prevalence of disabled persons is also increasing.

A second budget driver for the division is the breadth of services it provides. Many program advocates assert that the evolution of community-based care in Oregon has saved money and allowed better care for more elderly and persons with disabilities. There is little doubt that the emphasis on community based long-term care has provided better care for more seniors and persons with disabilities. Actual savings for state government are more difficult to evaluate. Some observers believe that savings have primarily accrued to the federal government because long-term care services have prevented or delayed expensive hospitalization that is paid for by Medicare—an entirely federally funded program. As a consequence, the federal government has effectively shifted the cost of caring for poor seniors to state government. Other analysts argue that Medicaid costs (40% paid by Oregon state funds) have also been lower because less expensive long-term care options have prevented or delayed expensive nursing facility use.

In any case, the long-term care budget is expected to come under increasing pressure as the population ages and more persons seek care. Control of Medicaid long-term care expenses through incentives to purchase long-term care insurance, cost containment mechanisms, or service reduction will be a major issue for the federal government and state governments as the 21st century progresses. As a partial response, SDSD has been working with stakeholders to discuss the integration of acute (medical) care and long-term care. This integration project has generated several possible models of long-term care including several that mirror managed care arrangements. Under some of these models, an organization would be paid a capitated rate to provide both acute and long-term care. Proponents argue that this could provide an incentive to control costs, to offer preventative services to avoid more costly hospitalization or emergency room care, and to foster better communication between physicians and case managers. Critics assert that the current system of case management already integrates acute and long-term care adequately and that further cost efficiencies are doubtful.

Of the division's 1999-01 total funds budget of $1.2 billion, nearly $99.5 million allowed for the implementation of a plan to convert federal Medicaid funds to state funds. This plan, known as the Medicare Upper Limit (MUL) plan will generate better than $90 million of additional state resources for the 1999-01 biennium ($29.5 million carryover from the 1997-99 biennium). MUL is expected to continue during the 2001-03 biennium and is described below.

The Medicare Upper Limit (MUL) plan requires SDSD to make a Special Payment consisting of General Fund and Federal Funds to nine public health districts that operate nursing facilities. The size of the payment is based upon the difference between the Medicare Upper Limit, a maximum Medicare rate level for nursing facilities, Oregon's Medicaid rate for nursing facilities and the total number of Medicaid nursing facility beds in the state. The payments during the 1999-01 biennium were expected to be about $40 million of General Fund and $60 million of Federal Funds. The health districts will then transfer the majority of the payment they received back to the Department of Human Services. During the 1999-01 biennium, the health districts retained about $8.5 million of the total payment. All of the funds transferred back to DHS including those that were originally Federal Medicaid Funds can be used for General Fund purposes. This plan is consistent with current Medicaid law, and SDSD sought and obtained a Medicaid plan amendment from the Health Care Financing Administration (the federal agency that administers the Medicaid and Medicare programs) before implementing the plan. In doing this, Oregon became one of 17 states permitted to make a MUL payment as of July 2000.

During the past year, the Health Care Financing Administration (HCFA) has sought to change Medicaid rules that allow this practice. The federal Government Accounting Office testified before a Senate Finance Committee stating that, "this financing practice violates the integrity of Medicaid's federal/state partnership." As a result, HCFA announced a proposed rule in October 2000 that would phase the practice out over three years beginning during a state's fiscal year in 2002. The proposed rule would reduce the payment by 25% during that fiscal year. The Governor's budget includes a payment of $112.9 million--$45.8 million of state funds and $67.1 million of Federal Funds to the health districts. The health districts would transfer the entire payment back to DHS. The $67.1 million would, in turn, be transferred to the Treasury. The Governor's budget assumes that the Upper Limit payments made during the 1999-01 biennium will be higher than originally thought. The Governor's budget further assumes that the health districts will retain $8.5 million of this higher payment during the 1999-01 biennium, instead of during the 2001-03 biennium.

Performance measures are discussed within each program section of this analysis.

Governor's Budget

The Governor's budget of $1,290.8 million is about $69 million total funds or 5% lower than the current service level of $1,359.7 million. The Governor's budget includes program reductions that eliminate 51.17 state FTE and approximately 32.94 Area Agency on Aging FTE. The budget eliminates Medicaid Long Term Care services for clients in impairment ("survival priority") levels 15-17. The budget assumes a restructuring of community based care rates that would link client impairment to service rates for providers. The restructuring, along with the elimination of inflationary allowances for substitute homes (e.g. adult foster homes and assisted living facilities), reduces the budget by $17.9 million total funds. The Governor's proposed budget eliminates funding for Oregon Project Independence ($13.7 million total and General Fund). The budget eliminates funding for work on SDSD's ACCESS project—the development of software that enhances case management services ($8.6 million total funds) after a second project phase is completed by October 2001. The Governor's budget assumes savings from a reorganization of DHS of $2.1 million total funds.

The Governor's budget includes a Medicare Upper Limit payment to nine public health districts of $112.9 million total funds ($45.8 million General Fund and $67.1 million Federal Funds). The total payment is about $8.6 million higher than the payments made during the 1999-01 biennium. As noted above, the health districts would transfer the entire payment back to DHS. The $45.8 million will be used as Other Funds for program expenditures and the remaining $67.1 million will be sent to the General Fund.

The current service level of $1,359.7 million is $133.6 million higher than the estimated level for the 1999-01 biennium of $1,226.1 million. The difference reflects expected merit increases, funding for inflationary costs, and Medicaid Long Term Care caseload increases.

SDSD – Medicaid Long Term Care Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	251,620,887	347,487,520	383,116,799	370,198,664
Other Funds	41,170,641	31,479,406	41,240,155	40,182,916
Federal Funds	435,593,134	543,899,465	593,956,496	573,896,654
Total	**728,384,662**	**922,866,391**	**1,018,313,450**	**984,278,234**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Medicaid Long Term Care services for elderly and disabled clients fall into one of three major delivery categories—community based facilities, nursing facilities, and in-home programs designed to delay the need for more costly institutionalized care. Community based facilities include adult foster care homes, assisted living, residential care, enhanced residential care, and specialized living facilities. Nursing facilities provide comprehensive care for persons who require 24-hour skilled nursing care in addition to assistance with activities of daily living. Providence Elderplace, a jointly funded Medicare and Medicaid program that integrates acute medical care and community-based care is targeted at persons at high risk of needing nursing facility care.

Oregon's current system of long-term care is significantly different than it was twenty-five years ago. Like many other states, Oregon had numerous nursing facilities, but relatively few community-based care options. The Health Care Financing Administration (HCFA) granted a community-based care waiver to Oregon in 1981. This waiver allowed individuals who would otherwise qualify for nursing home admission to instead opt for home and community-based facility care. By the mid-1980s Medicaid long-term caseloads were about evenly divided between community-based care and nursing facilities. Today, community-based care comprises better than 80% of the long-term care caseload. Medicaid nursing facility caseloads have declined from 8,400 in 1981 to a projected 6,239 during the 2001-03 biennium. During the same time, home and community-based care caseloads increased from 3,000 cases to an expected 32,400 during the upcoming biennium. The average cost per home and community-based care case is much less than average nursing facility cases. For example, SDSD estimates an average nursing facility cost per case of nearly $3,000 / month during the 2001-03 biennium. In contrast, an assisted living case is expected to cost about $1,500 / month. Clients use their own resources to pay for a share of the services, and SDSD pays the difference between client resources and the service rates.

SDSD has established 17 categories of client impairment known as "survival priority levels." The categories are based upon the need for assistance with activities of daily living such as eating, toileting, mobility, bathing and dressing. Priority Level 1 clients are the most impaired and more likely to receive care in nursing facilities. Those at Priority Level 17 are the least impaired and are likely to receive in home assistance. All, however, are considered eligible for nursing facility care under Medicaid law that includes Oregon's home and community-based waivers. Most clients have chronic health conditions such as arthritis, diabetes, cancer, stroke, hypertension, or heart disease. Some of these conditions are outcomes of lifestyle (tobacco and alcohol use, diet, work, and social activities).

The rates SDSD pays nursing facilities for services are based on audited financial data submitted during the fall prior to a Legislative Session. During the second year of the biennium, rates are increased using a specific nursing home cost index. The 1997 Legislative Assembly increased in home ("client employed") provider rates. Subsequent Emergency Board action increased wages to $1.30 over the minimum wage. Assisted Living rates were initially set in 1990 at 80% of the nursing home rate and adjusted over the years using cost indexes. Other community based provider rates such as those for adult foster homes and residential care facilities are five-tiered (based upon client impairment) and adjusted over time using cost indexes.

Other Revenue Sources and Relationships

All General Fund and most of the Other Funds resources are matched with Federal Medicaid Funds. The Title XIX match rate for 2001-03 is about 60% Federal Funds to 40% state resources for program support. Administrative costs are matched on a 50-50 basis. Other Funds revenue comes from estate recoveries and client contributions for in-home care.

Budget Environment and Performance Measures

This program represents 78% of the Division's General Fund expenditures. Medicaid is an entitlement program, so applicants who qualify under Medicaid law and Health Care Financing Administration rules must be added to caseloads. The average number of clients in Medicaid long term care is expected to be about 34,341 during the current biennium and is forecast to increase during the 2001-13 biennium to 38,633. Cases in community based facilities are expected to rise 14% to 11,329 average cases. Home based care cases will increase 18% to about 21,065 cases. Nursing facility caseloads are expected to continue to decline. These changes reflect a continuation of the trend begun in the early 1980s and are indicative of rapid growth in the senior and disabled segments of the state's population.

Going into the 2001-03 biennium, SDSD is facing several significant related issues. First, recruiters of care workers are having difficulty finding enough persons to fill available jobs. Nursing facilities report problems hiring Certified Nursing Assistants. Consumers who use in-home caregivers report high levels of turnover and difficulty locating new caregivers.

Second, the electorate passed Ballot Measure 99 (November 2000), which created a commission to establish standards for in-home caregivers, provide training, and give them a structure to form a union. The costs to operate the commission each year are estimated at about $950,000. The state General Fund cost to pay increased wages for home caregivers, if they were to form a union, is not known. Moreover, wage increases for one group of caregivers typically have a ripple effect. Higher wages for in-home caregivers could lead to higher wages in other long-term care settings.

A third major issue is the financial status of the state's nursing facilities. As noted above, nursing facility caseloads have declined over the last twenty years as more persons opted for alternative Medicaid long-term care settings. In addition, the duration of client stays reimbursed by Medicare also declined. One result of these trends is that nursing facility occupancy rates have dropped. Consequently, nursing facilities have had less revenue to cover their high proportion of fixed costs. This has led to nursing facility closures and financial weakness in a number of those remaining. Some analysts are concerned that this financial weakness could compromise the quality of client care.

The fourth issue has to do with the rapid growth in assisted living facilities (ALF). This model of community based care has been popular with consumers, and SDSD expects its ALF caseload to rise 42% from 2,759 average cases during the 1999-01 biennium to 3,914 average cases during the 2001-03 biennium. This rapid growth has created concerns about quality of care as well as questions about the level of Medicaid rates SDSD pays to these facilities. Observers note that the private pay market for ALF care in some areas of the state appears to be saturated. New facilities are being opened, yet occupancy is low. As a result, ALFs are more inclined to accept and encourage Medicaid clients.

SDSD has five performance measures for this program. The agency has not established targets for the first three measures listed below but instead uses the measures to gauge progress in developing further community based care options. The five measures are:

- Medicaid Long Term Care expenditures per person age 65 and older. This amount was $1,779 in 1998.
- Licensed assisted living facility, residential care facility, and adult foster home beds per 1,000 Oregonians age 85 and older. The number of beds has increased steadily from 132 in 1993 to 242 in 1999.
- Percentage of Oregonians age 85 and older living outside nursing facilities. This percentage has ranged from 83.9% in 1994 to 82.5% in 1999.
- Percentage of Medicaid long-term clients served at home. This percentage has steadily increased from 45.4% in state fiscal year 1993 to 54.8% in 1999. SDSD projects an average percentage of 57.7% during the 2001-03 biennium.
- Percentage of Medicaid long-term clients served in community based care settings. This percentage has grown from 67% in state fiscal year 1993 to 79.4% in 1999. SDSD expects an average percentage of 83.3% during the 2001-03 biennium.

Governor's Budget

The Governor's budget of $984.3 million total funds is $34 million or 3% lower than the current service level of $1,018.3 million. The difference is primarily the result of three programmatic reductions totaling $42.7 million and an increase in the estimated 2001-03 biennial Medicare Upper Limit payment of $8.6 million above the 1999-01 estimate. These modifications to the current service level are described below.

- The budget eliminates services for clients who are in client impairment (survival priority) levels 15-17. These clients are the least impaired of SDSD's clients. However, they need "minimal" assistance with mobility, are dependent in bathing or dressing, or require some assistance in bathing and dressing. This budget reduction is $22.3 million ($8.5 million General Fund). It assumes that the program cut will occur on October 1, 2001 and that 65% of the persons in priority levels 15-17 will return to the SDSD caseload by the end of the biennium. These assumptions reduce SDSD's Medicaid expected caseload by about 1,836 average monthly cases.
- The Governor's budget includes a restructuring of community-based rates that decreases the budget by $15.8 million ($6.4 million General Fund). A plan to restructure rates has not been completed. The concept underlying the budgetary proposal is that community based care providers should be paid based upon the client impairment level and the care they provide, rather than upon the type of facility they operate. The proposal in the Governor's budget would reduce payments to assisted living facilities, residential care facilities, and client employed (in-home) providers. It would increase payments to adult foster home operators. Hourly rates paid to client employed providers would not change, but the number of average hours per case would be lowered from approximately 72 hours each month to 68 hours. Providers would be paid higher rates (or allowed more hours) to care for more impaired clients.

  The chart below shows provider payments at the current service level (excluding clients in impairment levels 15 – 17), the total funds change in payments and percentage change with respect to the current service level.

Community Based Rate Restructuring Proposal

($ in Millions)

	CSL (No Impair 15 – 17)	Total Funds Change Increase (Decrease)	Percent Change to CSL
Adult Foster Homes	$91.8	$2.8	3.1%
Residential Care	33.4	(2.4)	(7.3%)
Assisted Living	119.5	(13.7)	(11.5%)
Client Employed	183.5	(2.5)	(1.3%)
Total	$428.2	($15.8)	(3.7%)

- The proposed budget eliminates inflation for long term care substitute homes—adult foster homes, residential care facilities, and assisted living facilities. This reduction is $4.7 million ($1.9 million General Fund).
- The Governor's budget includes an additional $8.6 million total funds above the 1999-01 biennium to allow SDSD to made further Medicare Upper Limit (MUL) payments during the 2001-03 biennium. The total MUL payment is $112.9 million ($45.8 million General Fund and $67.1 million Federal Funds). As noted above, the Federal Funds portion of this payment will be returned to the General Fund where it can be used

as revenue to support the state's overall budget. To make the payment, SDSD uses $18 million of General Fund originally allocated to OSIP and General Assistance within SDSD and $27.8 million of General Fund from the Mental Health and Developmental Disability Services Division of DHS. After the payment is made to, and returned from, the public health districts (as described above), the General Fund is returned to the OSIP and General Assistance programs within SDSD and to the Mental Health and Developmental Disability Services Division as Other Funds where they can be spent for program purposes.

The Governor's budget includes three other smaller adjustments to the current service level. All three adjustments require statutory changes. The first adds $0.1 million to the current service level ($41,000 General Fund and $62,000 Federal Funds). The underlying statutory revision proposes to equalize long term care facility licensing fees to $20 per bed each year. Currently adult foster homes pay $20, but other facilities pay less. The increase of $0.1 million is state and Medicaid reimbursement to facilities to cover the licensing fee increase for their Medicaid beds. Offsetting the General Fund increase of $41,000 is a $0.3 million General Fund decrease that is replaced with the same amount of Other Funds in the Program Delivery budget. The Other Funds represent the higher licensing fees paid by facilities and received as Other Funds revenue by SDSD.

The second and third adjustments to the current service level, also requiring statutory changes, increase SDSD's ability to collect funds from the estates of deceased clients. One change would remove the time limit for SDSD to collect from estates. This would generate $1.2 million of Other Funds revenue that is used in the Governor's budget to replace General Fund. The other change would allow SDSD to collect from the estates of clients under 55 years old. This change is expected to produce $0.3 million of Other Funds revenue that can replace General Fund.

The 2001-03 current service level is $95.4 million ($35.6 General Fund) higher than the estimated expenditure level for 1999-01. The difference results from including the effects of a November 2000 DHS rebalance which lowered the estimate for 1999-01 by $2.4 million; inflationary cost increases ($57.2 million total funds; $12.8 million General Fund), and projected Medicaid long term care caseload increases ($35.8 million total funds; $14.7 million General Fund).

The current service level is based upon a low caseload forecast derived by SDSD, DHS Director's Office, and Department of Administrative Services' staff. The budget based upon this forecast is about $13.7 million ($5.6 million General Fund) less than an earlier budget based upon a higher caseload estimate. The point is that the current service level and Governor's budget are based on a caseload forecast that allows for very little upward deviation.

SDSD – Oregon Project Independence

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	12,049,891	11,493,161	13,729,086	0
Other Funds	0	1,771,574	0	0
Total	**12,049,891**	**13,264,735**	**13,729,086**	**0**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Oregon Project Independence (OPI) is a home care program for persons 60 years of age or older or for those at any age with Alzheimer's Disease who are not eligible for Medicaid. It is entirely supported with General Fund and administered by AAAs who receive a budgetary allocation from SDSD. During the 1999-01 biennium, $1.8 million of OPI General Fund was used to make an additional Medicare Upper Limit payment. The General Fund was returned to SDSD as Other Funds for use in the OPI program. The program provides home care, day care, or other support services that allow persons to remain in their homes as long as possible and delay the need for more costly facility care. During 1999-01, the agency expects to serve 3,772 persons. This represents a 6.3% increase over the prior biennium. During the same time, the cost per case rose 3.6 percent. Examples of care include meal preparation, grocery shopping, housecleaning, assistance with personal hygiene, and help with medications.

SDSD's Administrative Rules require it to establish a schedule of OPI service fees in consultation with the Governor's Commission on Senior Services. All services except for case management and home delivered meals must be included on the fee schedule. Families earning 200% or more of the federal poverty level must pay the full service fee. In 2000, the federal poverty level is $11,250 a year for a family of two. Families earning less pay part of the fee. AAA administrative costs must not exceed 10 percent.

Budget Environment and Performance Measures

The growth of the OPI program is limited by the availability of General Fund resources. The agency has no formal performance measures for this program. However, the agency believes program clients represent persons who have been diverted or delayed from entering long-term care facilities where they would likely deplete their assets and become eligible for Medicaid.

Governor's Budget

The Governor's budget eliminates all funding for OPI. The current service level of $13.7 million reflects a funding level to accommodate about 3,738 average monthly cases. It also reflects removing the budgetary effect of using $1.8 million of General Fund during the 1999-01 biennium as part of the state share of the Medicare Upper Limit payment. The health districts returned the General Fund, and $1.8 million Other Funds was subsequently shifted back to the OPI budget for program use.

SDSD – General Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	12,585,034	59,675	9,662,169	0
Other Funds	9,260,411	21,607,740	12,329,604	21,991,773
Total	**21,845,445**	**21,667,415**	**21,991,773**	**21,991,773**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

General Assistance provides a cash grant of about $320 for disabled adults who are severely disabled, have extremely limited resources and income, and are expected to qualify for federal Supplemental Security Income (SSI). Clients must immediately file an application for federal benefits. An applicant is not eligible for General Assistance if drug addiction or alcoholism is material to his or her disability. The client must engage in medical treatment (at no cost to the client) and cooperate with the Vocational Rehabilitation Division to develop an employment plan, when advisable.

Other Revenue Sources and Relationships

The state receives reimbursement from the federal government for General Assistance payments paid to clients who ultimately are determined eligible for federal SSI benefits. Approximately 63% of General Assistance clients are assumed in the Governor's budget to be determined eligible for SSI benefits. SDSD does not receive reimbursement for clients who are determined eligible for Social Security Disability Insurance (SSDI) benefits. SDSD expects to receive about $12.3 million of SSI reimbursement during the 2001-03 biennium.

Budget Environment and Performance Measures

The General Assistance caseload is constrained by the amount of state General Fund and SSI reimbursement. As a result, the caseload has been since 1997, and is expected to continue to be, about 2,900. The caseload is composed of two groups. The first (about 90% of the current caseload) receives a general assistance grant, but is not receiving Medicaid benefits within a long-term care facility. The second group is comprised of persons who are receiving Medicaid long-term care benefits. Their general assistance grant is slightly higher and it pays for their room and board in community based long term care facilities.

SDSD has no performance measurements for this program. The goal of the program is to provide temporary assistance to severely disabled persons with very limited financial resources.

Governor's Budget

The Governor's budget funds the current service level of $22 million. The current service level removes the budgetary effect of using $11.2 million of General Assistance funding during the 1999-01 biennium to make the Medicare Upper Limit payment. After the health districts returned the payment, the funds were shifted back to the General Assistance budget as Other Funds for use as client payments.

The Governor's budget initially shifts $9.7 million of General Fund from the General Assistance budget to the Medicaid Long Term Care program budget. The Governor's budget uses the $9.7 million as part of the state funds used to make the 2001-03 Medicare Upper Limit payment. After the payment is transferred back to DHS, $9.7 million of Other Funds are shifted back to the General Assistance budget.

The current service level (and Governor's budget) reflects caseload forecast changes and an allowance for inflation. The Governor's budget provides funding for 2,833 average monthly cases.

SDSD – Oregon Supplemental Income Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	6,439,434	254,227	8,456,631	147,258
Other Funds	0	7,619,654	0	8,309,373
Federal Funds	507,463	362,159	0	0
Total	**6,946,897**	**8,236,040**	**8,456,631**	**8,456,631**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Oregon Supplemental Income Program (OSIP) provides a small monthly cash payment for disabled, aged, or blind individuals receiving federal Supplemental Security Income (SSI) benefits though the Social Security Administration. The maximum federal SSI benefit for individuals is $530 per month beginning December 29, 2000. For couples, the maximum federal SSI benefit is $796 per month. Increases in the federal grant throughout the 2001-03 biennium are likely, but unknown at this time. OSIP 2001-03 payments to the elderly and disabled are $20.11 and $4.69 per month, respectively. Payments to the blind are expected to be about $34.09 per month. In some cases, special needs payments are also made for food, guide dogs, special shelter needs, telephone, minor home adaptation, and laundry. Although the OSIP monthly grants are small relative to the SSI grant, federal law requires that these state payments be made in order for the state's residents to qualify for SSI benefits. The minimum payment required by federal law is $1.70 per month.

In addition to administering direct OSIP benefits, program staff also determines client eligibility for food stamps and for medical benefits under the Oregon Health Plan. In other words, OSIP beneficiaries are also eligible for food stamps and the Oregon Health Plan.

Other Revenue Sources and Relationships

Federal Medicaid funds are available for staff costs at a 50% match rate. The Federal Funds and the staff costs are included in the Program Staff category discussed below. In addition, some federal Medicaid funding is now available for client emergency telephone and minor home adaptation costs because of an Oregon Medicaid waiver.

Budget Environment and Performance Measures

The Division projects that OSIP payments will be made to nearly 45,243 clients during 2001-03, an increase of about 9% over the 1999-01 biennium. SDSD has no performance measurement for this specific program. As noted above, OSIP payments are a required part of the federal SSI program.

Governor's Budget

The Governor's budget funds the current service level of $8.5 million. The current service level removes the budgetary effect of using $7.2 million during the 1999-01 biennium to make the Medicare Upper Limit payment. After the health districts returned the payment, the funds were shifted back to the OSIP budget as Other Funds.

The Governor's budget initially shifts $8.3 million of General Fund from the OSIP budget to the Medicaid Long Term Care program budget and uses it as part of the state's 2001-03 Medicare Upper Limit payment. After the payment is transferred back to DHS, $8.3 million of Other Funds are shifted back to the OSIP budget and spent for client payments.

The current service level and Governor's budget do not include Federal Funds expenditure limitation, as did the 1997-99 and 1999-01 biennia. The Federal Funds in the prior biennia were matching Medicaid funds for minor home adaptation payments. These matching Medicaid funds were moved into the Medicaid Long Term Care program in the current service level and Governor's budget.

SDSD – Employment Initiative

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	200,000	200,000	205,000	205,000
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The 1999 Legislative Assembly included an employment initiative in the DHS budget. The General Fund portion of the program amounted to about $2.1 million. Nearly $0.7 million of the General Fund was administered through the Vocational Rehabilitation Division (VRD) and matched with Federal Rehabilitation Act Funds. VRD's funds were used to hire case managers and to purchase case management services from SDSD. SDSD matched $1.2 million of General Fund with Medicaid to hire employment specialists and about $0.2 million to purchase client services and equipment that could not be paid for with either Medicaid or Rehabilitation Act funds. The $0.2 million General Fund is included in this program budget. The remaining General Fund and matching Federal Funds are included in the Program Delivery section of SDSD's budget as well as in the Vocational Rehabilitation Division's budget.

The goal of the program is to serve severely disabled clients who need assistance with health care, transportation, housing, long-term care before they can consider employment. This goal dovetails with the federal Workforce Incentives Improvement Act (WIIA) that was passed in 1999. This act removed a significant impediment to persons with disabilities seeking employment—the loss of health and other benefits resulting from a higher household income from wages.

Through the first 15 months of the 1999-01 biennium, the program has served 1,300 mutual SDSD and VRD clients. Two hundred of these mutual clients worked and earned wages during the first quarter of 2000. Where the program has worked well, SDSD and AAA staff have changed their focus from assisting clients attain benefits (such as SSI, SSDI, and health or long-term care) to assisting clients attain the support they need to work. The degree to which the change in focus (and with it, program success) has occurred varies across the state.

Other Revenue Sources and Relationships

Although funding for this portion of the employment initiative is General Fund only, staff support for the program is included in the program staff budget and funded in the Governor's budget with General Fund and Federal Funds (Medicaid and Rehabilitation Act).

Budget Environment and Performance Measures

DHS is hopeful that the effects of this program, coupled with the previously mentioned WIIA, will lead to greater demand for this program by persons with severe disabilities who want to become employed. Program growth is partially dependent upon available staff and funding within the Vocational Rehabilitation Division and the availability of General Fund resources committed to this initiative. SDSD and the Vocational Rehabilitation Division did not establish performance measures at the onset of this program. SDSD expects to discuss the results of the program during the 2001 Legislative Session.

Governor's Budget

The Governor's budget funds the current service level of $205,000 General Fund. The $5,000 increase in the current service level above the 1999-01 estimated expenditures provides funding for inflation.

SDSD – Older Americans Act

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Federal Funds	23,891,967	22,916,763	22,916,763	22,916,763
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

SDSD is the state administrator of the Older Americans Act (OAA), a federal program targeted to persons 60 years old and older. The division distributes the funds to local Area Agencies on Aging, which deliver a variety of services including information and referral, transportation, congregate meals and "meals on wheels," senior employment programs, legal services, and insurance counseling. Some of the services are required by the OAA; local advisory committees develop other optional programs. The Long Term Care Ombudsman receives about $342,000 of Older Americans Act funds to implement its programs.

Other Revenue Sources and Relationships

The program is supported entirely with Federal Funds. Program match rates vary depending on the OAA Title and range from 10% state funds to 15 percent. Administrative funding requires a 25% state match rate. Oregon uses its Oregon Project Independent General Fund (about $0.9 million) as well as AAA local resources as its required match.

Budget Environment and Performance Measures

The Older American's Act of 1965 was recently re-authorized by Congress after better than five years of negotiation. This action included a new appropriation of $125 million for Federal Fiscal Year 2001 for a National Family Caregiver Support Program. The program includes services to provide information to help families in their caregiver roles; caregiver counseling, training and peer supports; respite care; and competitive grants to develop new approaches to caregiving. Although an increase in Oregon's OAA is not included in the Governor's budget, the grant is expected to increase by about $2.8 million for the 2001-03 biennium. This represents Oregon's share of the additional $125 million appropriation for the Family Caregiver Support Program.

SDSD and two of the state's AAAs (Washington and Multnomah Counties) are currently developing performance measures for the OAA program using a small federal grant from the Department of Health and Human Services, Administration on Aging.

Governor's Budget

The Governor's budget funds the current service level. As noted above, it does not include limitation to accommodate any increase in Older American's Act revenue that may result from an additional $125 million federal appropriation for the Family Caregiver Support Program. Oregon's share of this appropriation is estimated to be about $2.8 million for the 2001-03 biennium.

The Governor's budget eliminates Oregon Project Independence. As a result, additional state or local matching funds will need to be identified or added to the budget in order to receive Oregon's full allocation of Older Americans Act funds.

SDSD – Program Staff

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	66,301,520	79,381,678	96,432,728	88,830,033
Other Funds	8,556,431	13,131,741	12,566,070	13,277,963
Federal Funds	99,203,385	115,183,620	134,810,635	122,809,838
Total	**174,061,336**	**207,697,039**	**243,809,433**	**224,917,834**
Positions (FTE)	628.25	736.03	915.34	876.90

Program Description

To deliver its programs, SDSD expects to fund nearly 1,622.38 FTE during the 2001-03 biennium. About half of this staff (876.90 FTE) are state employees and work from SDSD field offices. The other half are county or council of government FTE and are based in Area Agency on Aging (AAA) offices. Statutes permit qualifying AAAs to not only manage Older Americans Act programs (discussed above), but also SDSD's Medicaid long-term care programs for the elderly and persons with disabilities. AAAs provide all Older Americans Act and Oregon Project Independence services and nearly 77% of the long-term care case management services in Oregon. There are 18 AAAs in Oregon.

Staff directly related to the delivery of SDSD's services includes:

- *Field staff* located in the various SDSD and AAA offices across the state. Field staff provides eligibility determination, protective services, licensing, and case management for the major programs outlined above. Significant staff time is spent determining the proper level and type of service for each client and negotiating individual client / provider contracts for long term care services.

- *Client Care Monitoring staff* monitor and inspect nursing facilities and other long term care facilities. The state is under contract with the federal government to perform this task. Inspections focus on client care, condition of facilities, and other health and safety issues.
- *Oregon Health Plan staff* determine OHP eligibility for the senior and disabled population.

Other Revenue Sources and Relationships

The federal government provides Medicaid matching funds for most of this program. Because the program employs professional health care workers, funding for the Client Care Monitoring is paid at a rate of 75% federal and 25% state. The remaining functions are supported with a 50-50% match rate.

Budget Environment and Performance Measures

The number of field staff is based on established staffing standards and calculated using a staffing model developed by SDSD. As caseloads increase, the number of staff needed to serve those clients also increases.

The agency will also work during the 2001-03 biennium with the Director's Office to implement the next phase of the Automated Computer Capture and Storage System (ACCESS). The ACCESS project began in 1995. Its primary purpose was to streamline the eligibility determination process used by SDSD and AAA field staff. That part of the project was completed in late 1999. A second project phase began immediately and has focused on case management software tools that help assess clients and develop care plans. A third project phase was scheduled for the 2001-03 biennium and would better track payments made on behalf of clients. While providing funding for the completion of the second project phase, the Governor's budget eliminates further General Fund and Federal Funds support for the ACCESS project.

During the 1999 Legislative Session, AAAs lobbied for program funding"equity." They believed their Medicaid long-term care staff positions were being funded less than state Medicaid offices and ought to be funded equally. Several of the AAAs stated that they might be forced to return the Medicaid programs to state management because they could no longer operate the program adequately. The Assembly added $2 million to the SDSD budget along with a budget note requesting the Joint Legislative Audit Committee (JLAC) to assess AAA funding. The JLAC report was issued in August 2000. It stated that AAAs were being funded about $8.1 million less than comparable state SDSD offices. The report described several advantages and disadvantages of AAA management of the long-term care Medicaid program. The report noted, however, that SDSD did not have a systematic effort of monitoring AAA program performance. It added that without some measure of costs and benefits, "it is impossible to tell if clients are receiving excellent services or if taxpayers are receiving the best value." The report stated that lacking such measures, it is difficult to know whether AAAs are being funded fairly. For example, without performance and cost data, SDSD cannot know whether outsourcing Medicaid case management services to AAAs provides the state savings or better program outcomes. As a result of the JLAC study, SDSD agreed to develop a comprehensive field office monitoring system that will involve both statistical reporting and regular field reviews.

Governor's Budget

The Governor's budget of $224.9 million total funds is $18.9 million or 8% lower than the current service level. The reduction is primarily the result of seven cuts to the current service level that are listed below. The General Fund reduction to the current service level is $7.6 million.

- The budget cuts 21.64 FTE of state office staff and approximately 30 FTE of AAA staff. The budgetary reduction is $8.2 million ($4.1 million General Fund).
- As noted above, the Governor's budget eliminates Medicaid long-term care services for persons in survival priority levels 15-17. Because this reduction lowers expected caseloads, it also eliminates 17.68 FTE and 2.94 AAA FTE. The budgetary decrease is $2.2 million ($1 million General Fund).
- DHS reorganization changes generate expected savings of $2 million ($1 million General Fund).
- The Governor's budget eliminates the third phase of ACCESS computer software development that was scheduled to begin in November 2001. This creates a budgetary reduction of $8.6 million ($1 million General Fund and $7.6 million Federal Funds). The state share of Medicaid software development costs is considerably lower than it is for administrative or programmatic costs.
- A partial offset to the elimination of the third phase of the ACCESS project is the addition of 0.88 FTE and $2.6 million ($0.3 million General Fund) to accommodate the community based rate structure changes discussed above. The additional FTE and funds will be used to make the changes necessary to the existing client payment software program.

- The budget eliminates several regional pilot programs SDSD has been supporting. This reduction amounts to $0.6 million ($0.4 million General Fund). The projects include initiatives to treat Medicaid clients with mental illness, to fund projects whereby retired volunteers assist seniors and persons with disabilities, and to educate Medicaid clients about diabetes.
- Finally, the budget includes an adjustment to replace $0.3 million General Fund with a like amount of Other Funds. This change is the result of a proposal to equalize licensing fees for all long-term care facilities and is discussed above in the Medicaid Long Term Care Programs section above.

The current service level is $36.1 million total funds higher than the 1999-01 estimated expenditure level and includes an increase of 179.31 FTE. The increases are the result of including expected merit raises and converting partial 1999-01 FTE into full FTE for the 2001-03 biennium ($7.3 million total funds), inflationary costs ($4.1 million total funds), and increased staff resulting from higher Medicaid Long Term Care caseloads ($27.8 million total funds and 149.84 FTE). These increases are partially offset by removing Other Funds and matching Federal Funds limitation because Other Funds carryover from the 1997-99 biennium and used during the 1999-01 biennium was not replaced with General Fund ($2.5 million total funds). In addition, the current service level reflects vacancy savings.

SDSD – Program Support and Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	12,267,315	8,198,128	14,039,445	12,884,540
Other Funds	199,991	5,385,649	842,131	842,131
Federal Funds	13,752,492	15,659,326	15,419,185	14,280,498
Total	**26,219,798**	**29,243,103**	**30,300,761**	**28,007,169**
Positions (FTE)	112.73	117.11	124.77	112.04

Program Description

This program provides administrative support and policy direction for the Division. Organizational components include the following sections:

- The Administrator's Office provides overall administrative and program direction for the agency.
- Research and Finance sets long-term care rates, develops and executes the budget, conducts field reviews, monitors performance measures, and develops federal Medicaid waiver applications.
- Long Term Care Quality develops care standards for long-term care facilities and performs licensing and certification activities for long-term care facilities.
- Field Services resolves operational field office issues, approves local AAA plans, recovers funds from the estates of deceased clients, and supervises management of the field office network.
- Consumer Relations and Community Education publishes newsletters and brochures, monitors state and federal legislation, and supports the Governor's Commission on Senior Services, state senior advisory committees, and state disability advisory committees.

Other Revenue Sources and Relationships

Other Funds revenues supporting the administration program consist of $146,000 licensing fees, $120,000 from a nursing facility trust fund, and $570,000 of miscellaneous revenue such as travel reimbursement, fines and penalties, charges for services, or sales income.

SDSD uses federal Medicaid funds ($16.4 million) requiring 50% state match as well as federal Older Americans Act funds of $1.1 million.

Budget Environment and Performance Measures

As mentioned above, the Joint Legislative Audit Committee conducted a study of funding for AAAs. Perhaps the study's most significant finding was that SDSD did not have a monitoring system to assess AAA or SDSD field office performance, though it had some of the components to implement such a system. In response, SDSD is developing a system of regular field reviews and statistical reporting. SDSD applied for an Older Americans Act grant in the fall of 2000 that would provide limited funds to develop and test performance outcome measures in Multnomah and Washington County AAAs. Agency administrators are also reviewing SDSD's overall performance measures.

Early during the 1999-01 biennium, the division intensified its review of AAA plans. The plans serve as the basis for the contracts of work between AAAs and SDSD. The plans are reviewed and modified as necessary every three years. They will be revised again during the 2001-03 biennium.

The administrative program also develops Medicaid waiver applications. One waiver implemented during the 1999-01 biennium is the Independent Choices demonstration waiver. This waiver allows SDSD to provide a monthly cash grant to 600 long-term care clients in three demonstration areas around the state. These clients can then use the funds to purchase the services they particularly want. The research and finance section will monitor this project throughout the 2001-03 biennium and will likely request that HCFA approve the expansion of the project to the entire state. The agency's Medicaid home and community-based waiver expires on September 30, 2001. Although the agency believes that the waiver can be renewed without difficulty, the research and finance section will provide necessary renewal application materials and need to respond to HCFA questions.

The agency uses three measures to track its administrative program performance, and they are listed below:

- The first measure mirrors a benchmark – substantiated elder abuse/neglect complaints per 1,000 persons 65 and older. The rate rose from three complaints per 1,000 in 1997 to four complaints per 1,000 in 1998 and 1999.
- Central office costs as a percentage of Division costs – the percentage was 2.6% for the period 7/1/99 – 6/30/00, is expected to be 2.1% for 7/1/00 – 6/30/01 and between 2.8% and 2.9% for the 2001-03 biennium.
- Central office FTE as a percentage of Division FTE – the percentage was 7.3% for the period 7/1//99 – 6/30/00, is expected to be 7.3% for 7/1/00 – 6/30/01 and 7.7% for the 2001-03 biennium.

The latter two measures are a partial assessment of administrative efficiency.

Governor's Budget

The Governor's budget of $28 million total funds is $2.8 million or 8% less than the current service level of $30.3 million. The $2.8 million decrease is the result of three programmatic reductions. These reductions are described below.

- The budget includes a reduction of staff (12.73 FTE) and $0.9 million General Fund and $0.9 million Federal Funds. Total funds reduction is $1.8 million.
- The Governor's budget within this program assumes total funds savings of $142,782 from DHS reorganization efforts ($71,391 from both General and Federal Funds).
- The budget reduces SDSD's share of DHS Director's Office prorate by $322,101 total funds - $163,266 General Fund and $158,835 Federal Funds. The prorate reduction reflects cuts made to the Community Partnership Team program within the Director's Office.

The current service level reflects the elimination of Y2K costs that were incurred during the 1999-01 biennium ($2.3 million total funds - $0.6 million Other Funds and $1.7 million Federal Funds). It includes an Other Funds reduction of $3.7 million and General Fund replacement of a like amount within personal services. SDSD, with Emergency Board concurrence, used Other Funds carryover from the 1997-99 biennium to replace General Fund during the 1999-01 biennium. The current service level also reflects increased staffing for Medicaid caseload increases and funding for inflation.

DHS/Vocational Rehabilitation Division – Division Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	12,628,447	14,249,472	15,113,055	12,647,028
Other Funds	2,142,214	2,840,627	2,908,979	2,908,492
Federal Funds	85,124,025	101,486,386	105,641,487	103,895,464
Total	**99,894,686**	**118,576,485**	**123,663,521**	**119,450,984**
Positions (FTE)	398.90	413.39	411.84	420.84

** Based on the DHS rebalance plan approved by the Emergency Board in November 2000.*

Division Description

The Vocational Rehabilitation Division's mission is to assist Oregonians with disabilities to achieve and maintain employment and independence. The Division has three program areas:

- The ***Rehabilitation Services*** program provides training, vocational, and educational services to persons with disabilities that are substantial impediments to obtaining or maintaining employment. Services are available through 28 field offices located throughout the state. Services include vocational evaluation, training, physical and mental restoration services, transportation, job placement, training supplies, and on-the-job training. Approximately 54% of funding is used to purchase training and educational services. Clients typically are assigned a vocational rehabilitation counselor who determines eligibility and then works with the client to develop a plan that will result in employment. One of the employment options within the Rehabilitation Services program is Sheltered Services. Severely disabled adults who are not otherwise employable in the competitive job market may be placed in sheltered workshops and activities. The program is supported entirely by General Fund, would cost $1.6 million during the 2001-03 biennium, and would provide employment for about 218 persons. Federal Rehabilitation Act Funds cannot be used for sheltered workshop programs.
- The ***Disability Determination Services*** program determines eligibility for Social Security Act claims for Disability Insurance (SSDI – Title II of the Social Security Act) and Supplementary Security Income (SSI – Title XVI of the Social Security Act). The Division performs these functions for the federal government. In Oregon, about 100,000 persons receive SSDI or SSI. Benefits for these persons amount to about $50 million each month.
- ***Administration*** provides agency oversight, budget support, program evaluation, and coordination with the other divisions within the Department of Human Services.

Program Budget History

	1997-99 Actual	1999-01 Est.	2001-03 CSL	2001-03 GRB
Administration	6,641,731	8,728,892	8,514,290	8,130,655
Rehabilitation Services	60,787,419	70,059,945	73,310,821	69,118,649
Disability Determination	32,465,536	39,787,648	41,838,410	42,201,680

Revenue Sources and Relationships

The primary funding source for *Rehabilitation Services* is revenue supporting the federal 1973 Rehabilitation Act (Section 110). Congress appropriates an amount that is distributed to states based upon population and per capita income. The matching rate is about $3.70 of federal dollars for every state dollar. Over the years, Oregon has consistently found matching resources, either General Fund or other agency matching funds, to obtain all of the state's allocation. For example, during the 2001 – 03 biennium, the agency expects to receive about $1.8 million from school districts. VRD's share of Oregon's Section 110 allocation is expected to be $56.1 million for the 2001-03 biennium.

VRD receives about 87.5% of Oregon's allocation of Section 110 Federal Funds and the Commission for the Blind receives the remaining 12.5% of the federal allocation. A budget note in the agency's 1997-99 budget bill directed the Department of Administrative Services to study the current allocation of federal "110" funding between VRD and the Commission. The study, presented to the Emergency Board in 1998, concluded that any allocation method would be based on arbitrary criteria—that no allocation method could be objective.

Rehabilitation Services revenue also includes federal Rehabilitation Act funds for Supported Employment ($779,950), Independent Living ($620,334), and staff training (168,964) as well as an Employment Initiative grant ($1 million). The agency also received notification in the fall of 2000 that it had been awarded a federal Department of Labor grant of $1 million. Although grant activities will commence in January 2001, most of the funds will be expended during the 2001-03 biennium. This grant will be used to enhance training to staff located in the state's one-stop employment centers. In addition, the program receives some Social Security Administration funds to reimburse the agency for costs to provide services to persons receiving SSDI or SSI who are competitively employed for nine consecutive months ($1.3 million).

Disability Determination Services revenue, through Titles II (SSDI) and XVI (SSI) of the Social Security Act is entirely federal and expected to be $45.2 million for the 2001-03 biennium. This includes $925,000 for a Social Security anti-fraud unit described in more detail below.

Budget Environment and Performance Measures

Rehabilitation Services

There are four notable environmental factors that influence the Rehabilitation Services program budget. First, when a state rehabilitation services program cannot respond promptly to those seeking services, the Rehabilitation Act requires the agency to serve the most severely disabled persons first. This federal mandate to effectively triage clients is called an "order of selection." VRD's Rehabilitation Services program is not currently operating under this mandate. However, approximately 96% of all eligible clients it expects to serve during the 2001-03 biennium are persons with disabilities that are classified by federal law as severe. The agency believes it may be forced to use an order of selection in the near future.

Second, Congress passed the Workforce Investment Act of 1998. This legislation attempts to provide better coordination of workforce training programs and included the reauthorization of the 1973 Rehabilitation Act. The implications for the Rehabilitation Services program are not yet fully known, but the legislation places renewed emphasis on client participation in the development of training plans and requires state workforce agencies to work more closely together in developing and providing a full menu of vocational services for clients.

Third, Congress enacted the Ticket to Work and Work Incentives Improvement Act in 1999. This legislation attempts to address a significant concern of people with severe disabilities who want to work—the worry of losing one's insurance coverage for health care should their employment cause them to lose eligibility for benefits such as Medicare and Medicaid. In general, the federal act allows persons with disabilities to retain Medicaid health care coverage when they earn wages. In theory, this means that many persons with severe disabilities who never considered working may want to pursue vocational goals and seek VRD services. The division does not anticipate a flood of new clients, but it does believe there will be an increase in clients—particularly those with very severe disabilities. If the agency does successfully assist more persons receiving SSI or SSDI benefits, it could see an increase in SSI or SSDI reimbursement revenue. However, the Work Incentives Improvement Act also allows other agencies within a certified employment network to assist SSI and SSDI recipients with their vocational efforts. These other agencies could, in turn, be eligible for SSI and SSDI reimbursement. VRD recently learned that Oregon has been designated one of twelve states to pilot the provisions of the Ticket to Work and Work Incentives Improvement Act. Final federal administrative regulations associated with the Act are expected to be issued in spring, 2001.

Fourth, VRD's 1999-01 budget included $670,000 of General Fund that was transferred from the Senior and Disabled Services Division (SDSD) budget for an employment initiative to serve persons with severe disabilities. This General Fund was matched with $2.5 million of Section 110 Federal Funds. VRD expects to spend about $1.34 million of these funds to purchase case management services from SDSD during the 1999-01 biennium. The goal of the initiative is to serve very severely disabled persons who need both VRD vocational assistance and SDSD case management support. Where the program has worked well, SDSD and Area Agency on Aging staff have changed their focus from assisting clients to attain benefits (such as SSI, SSDI, and health or long-term care) to assisting clients attain the supports they need so they can work. And the SDSD and AAA staffs have developed close ties with their VRD counterparts. The degree to which the change in focus (and with it, program success) has occurred varies across the state. By the end of September 2000, the program had assisted 1,301 persons and fostered cooperation between VRD and SDSD.

Rehabilitation Services staff expects to serve more than 28,000 persons during the 2001-03 biennium. Of those, 10,400 will be placed into employment plans and 7,100 will likely have their cases closed because they have completed their vocational plans and gained employment.

Currently, the agency uses five measures to gauge performance—two measures for the Rehabilitation Services program, two for the DDS unit, and one measure for agency administration. The agency is currently working with the federal Department of Education to revise its rehabilitation services' performance measures and to establish targets.

- The agency's administration measure is the level of VRD workforce diversity. The measure compares the percentage of persons of color, women, and persons with disabilities working at VRD with the percentages in the state employee labor force. Currently, the percentage of each group within VRD's workforce exceeds the state's labor force percentages of 8.7% for persons of color, 40.2% for women at salary range 24 or higher, and 6.7% for persons with disabilities.
- Rehabilitation Services measures client satisfaction by surveying clients whose employment plans closed in June 2000. The survey contained five statements about client satisfaction with agency counselors and agency services. Respondents were asked to agree or disagree with the statement. Seventy-eight percent of clients surveyed agreed that they were satisfied with VRD services.
- Rehabilitation Services also tracks the starting wage for clients who are successfully employed. For the four quarters of 1999 and the first two quarters of 2000, average beginning hourly wages ranged from $8.46 to $8.99.
- The DDS unit tracks two measures: its accuracy rates for correctly determining social security disability and the length of time to process a case. Federal analysts generate accuracy rates by using a sample of state cases. Oregon's accuracy rate has exceeded 91% for the two years and has ranged from 91.5% to 96.1 percent. The target for the DDS accuracy rate is 95 percent. Average monthly claims processing time increased overall during the period October 1998 through October 1999 rising from roughly 70 days to over 90 days. Since then, the average processing time has declined to about 83 days. The agency's target for the average claims processing time was 71 days during federal fiscal year 2000. SSA will establish a new processing time target after Congress approves its budget.

Disability Determination Services (DDS)

In 1995 and 1996, Congress passed several pieces of legislation that caused changes in the DDS program. Legislation required the Social Security Administration (SSA) and state DDS's to conduct an additional 5.5 million continuing disability reviews over the next six years—more than 9,000 additional reviews each year for the Oregon DDS. Other legislation prohibited SSDI and SSI eligibility to individuals whose drug addiction and/or alcoholism is a contributing factor material to the finding of disability. Welfare reform defined a more restrictive disability standard for children and required SSA and the state DDS's to re-determine the eligibility of current beneficiaries in light of the new definition.

In 1995, SSA began an initiative to redesign the disability review process. The goal was to improve customer service and make the process more satisfactory for claimants. SSA now plans a national rollout of the redesigned process starting in April 2002. VRD management believes SSA's starting date will be delayed, and the agency has not included the significant budgetary or FTE increases that would likely be necessary to implement the redesign process in Oregon's DDS unit in its proposed budget.

At the October 1999 Emergency Board, VRD was given approval to begin a joint program with the State Police to combat Social Security fraud. The SSA provided the two state agencies with about $744,846 for the remaining portion of the 1999-01 biennium as well as an officer from the SSA Office of the Inspector General. In September 2000, VRD was given approval by the Emergency Board for two permanent positions to work within the fraud unit. At that time, VRD indicated the anti-fraud team had a caseload of 159 claims and accumulated $3.7 million of total savings. The Emergency Board requested that the division quantify state fund savings from the program and report on them during the 2001 Legislative Session budget hearings.

The DDS unit expects to process more than 80,000 disability claims during the 2001-03 biennium.

Governor's Budget

The Governor's Total Funds budget of $119.5 million is $4.2 million or 3.4% less than the agency's current service level of $123.7 million. The $4.2 million difference reflects four reductions totaling $5.4 million, and three additions (policy option packages), totaling $1.2 million to the agency's current service level.

The Governor's budget incorporates the following $5.4 million Total Fund reductions to the division's current service level:

- The proposed budget eliminates the Sheltered Services program ($1.6 million General Fund) for 218 clients. As noted above in the discussion of the Rehabilitation Services program, these clients work in rehabilitation facilities. DHS believes that 28 of the clients would qualify for county developmentally disabled wait lists and 24 others would qualify for county mental health programs. VRD would attempt to serve an unknown number of the other clients through its Rehabilitation Services program. A plan to continue services for all 218 clients has not been developed and the Department of Human Services is doubtful that all 218 clients could be placed in alternative vocational settings.
- The budget includes a $0.2 million General Fund reduction reflecting VRD's share of DHS reorganization efficiencies.
- The Governor's budget removes $0.7 million of General Fund and $2.8 million of Federal Funds to eliminate any General Fund that is not used to match Federal Rehabilitation Act Funds and Federal expenditure limitation that is not funded with actual revenue. However, this reduction along with the $0.2 million reduction mentioned immediately above drives available General Fund approximately $133,000 below the level necessary to match all projected Federal Rehabilitation Act Funds during the 2001-03 biennium. In other words, VRD would be unable to match approximately $491,000 of available Federal Funds.
- Finally, VRD's proposed budget includes a reduction of $0.1 million Total Funds reflecting cuts in the DHS Director's Office community partnership team budget. Each DHS division supports the Director's Office through budgetary assessments or "prorates." Thus, when the Director's Office budget is decreased, divisional assessments are also reduced.

The division's proposed budget includes $1.2 million for three federally funded policy packages—one in the Rehabilitation Services program and two in the DDS program.

- The first policy package adds $0.8 million Federal Funds expenditure limitation to the Rehabilitation Services program to allow the division to use U.S. Department of Labor grant funds to improve access to workforce One-Stop services for persons with disabilities. The package adds five limited duration positions. VRD will used the federal funds to train workforce staff, develop an online resource manual, create several pilot projects, and provide outreach to persons with disabilities.
- A second policy package adds $0.3 million of Federal Funds expenditure limitation and one position to establish guidelines for obtaining medical records and to implement a project to provide electronic exchange of medical records between providers and the DDS unit.
- The third policy package increases the Federal Funds expenditure limitation by $0.1 million and adds three permanent positions to allow DDS to comply with state temporary appointment rules. Heretofore, DDS has used ongoing temporary positions to hire doctors who provide consultative services to disability analysts. Recently, in response to Employment Relations Board (ERB) rulings, the Department of Administrative Services implemented a strict policy of limiting the duration of temporary positions to six months. As a result, VRD must end its practice of using temporary positions for the doctors. The package represents additional costs—primarily employee benefit expenses—of complying with ERB rulings by converting temporary positions to permanent positions.

Insurance Pool Governing Board (IPGB) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	427,030	500,329	530,031	530,031
Other Funds	7,221,657	20,671,831	22,032,018	22,032,018
Total	**7,648,687**	**21,172,160**	**22,562,049**	**22,562,049**
Positions (FTE)	11.67	16.12	11.50	11.50

Program Description

The Insurance Pool Governing Board (IPGB) was created in 1987 as a private insurance component of the Oregon Health Plan (OHP). The seven-member Board administers two programs designed to increase access to private health insurance. The Marketing, Information, and Outreach Program serves as a central source for employers and individuals concerning information about health care resources and health insurance. The Family Health Insurance Assistance Program (FHIAP) provides premium subsidies to previously uninsured, low-income families and individuals.

IPGB – Marketing, Information and Outreach

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	427,030	500,329	530,031	530,031
Other Funds	0	38,901	51,731	51,731
Total	**427,030**	**539,230**	**581,762**	**581,762**
Positions (FTE)	2.00	2.00	2.00	2.00

Originally, IPGB was created to increase access to health insurance for small businesses and the self-employed. The Board certified specially designed health benefit packages for businesses with 25 or fewer employees. In the mid-1990s, health insurance reforms significantly increased insurance options for small businesses and the self-employed. As a result, certification of special benefit packages by IPGB was no longer needed. The 1999 Legislative Assembly passed legislation (SB 414) to phase out the certification program. The phase-out was completed in July 2000. The program now focuses entirely on serving as a central source of information about health benefits plans for individuals, employers and the self-employed. The Board conducts continuing education training for insurance agents, markets generic health insurance to small employers, and provides referrals to specially trained health insurance agents. The Board has two full-time marketing positions, but otherwise shares staff and administrative resources with the Oregon Medical Insurance Pool Board (OMIP) in the Department of Consumer and Business Services.

Revenue Sources and Relationships

The General Fund supports 91% of program expenditures. Other Funds revenue is generated from charges for agent training and reimbursements from OMIP and FHIAP for the cost of shared staff. Other Funds revenues for the 2001-03 biennium are expected to increase 200% over the 1999-01 level due to a technical change in the way salary reimbursements for shared staff are handled among IPGB, FHIAP and OMIP.

Budget Environment and Performance Measures

After several years of relatively modest increases in health insurance costs, health care cost increases across the state (and country) have resulted in significant premium increases. Escalating premium costs can lead to fewer employers offering employer-based coverage and more shifting of costs from employers to employees through higher premiums, co-payments, deductibles and co-insurance.

Counter to the national trend, during the last half of the 1990s, Oregon experienced an increase in employer-based health insurance coverage. In 1994, 56% of employers offered health insurance for their employees. The number increased to 72% by 1998. Still, there are approximately 360,000 people in the state who do not have health insurance. It is estimate that 63% of the uninsured live in households with incomes below 200% of the federal poverty level (FPL). The large number of low- income uninsured, coupled with dramatically increasing health care costs, makes it more difficult for IPGB to facilitate access to private health insurance. This circumstance, combined with a slowdown in the economy, could reverse Oregon's trend toward increasing the availability of employer-based health insurance coverage.

IPGB has a direct link to Benchmark 58, (Percentage of Oregonians without health insurance). The Marketing, Information and Outreach program affects the benchmark by encouraging small employers to offer health insurance benefits and by educating insurers concerning ways to improve access for the uninsured. The Board reports no specific performance measure targets, but points to data showing that since its establishment employer-based coverage has increased from 56% to 72%, and the overall rate of uninsured in Oregon has dropped from approximately 18% in 1990 to 11% in 1999.

IPGB is in the process or re-evaluating its continuing education program and plans to change its focus to in-depth, single-subject training sessions for health insurance agents across the state. They anticipate training 1,500 agents in 2001-03. The agency will report on progress toward development of specific performance measures during the upcoming legislative session.

Governor's Budget

The Governor's General Fund budget funds this program at the current service level, which is a 5.9% increase over 1999-01 estimated expenditures. The budget includes the full biennium cost of salary adjustments, inflation on services and supplies at the standard rate of 2.5%, and a modest General Fund decrease ($649) in State Government Services Charges due to lower Secretary of State Audits Division and State Library assessments.

The Other Funds expenditure limitation increases 33% over estimated 1999-01 expenditures, primarily due to a change in the way salary costs for employees shared by IPGB and OMIP are budgeted. Previously, they were treated as revenue transfers and reductions of expense. This budget correctly includes them as a cost incurred by IPGB funded by revenue from OMIP and FHIAP.

IPGB – Family Health Insurance Assistance Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	7,221,657	20,632,930	21,980,287	21,980,287
Total	**7,221,657**	**20,632,930**	**21,980,287**	**21,980,287**
Positions (FTE)	9.67	14.12	9.50	9.50

Program Description

The Family Health Insurance Assistance Program (FHIAP) was created in 1997 as an expansion of the Oregon Health Plan. It provides direct premium subsidies to low-income individuals who earn too much to qualify for Medicaid, but not enough to afford their employer's health benefit coverage or an individual health insurance policy. The law allows the subsidy for persons with incomes up to 200% of the FPL. Based on available funding, the program currently provides subsidies of 95, 90, or 70% of premium cost, depending on income level, for persons earning less than 170% of the FPL. The average premium subsidy per individual enrolled in the program is $143.78 per month—91% of the average premium of $158.85.

To qualify for the subsidy, persons must have been uninsured for six months. Participants must accept employer-based coverage in cases where there is an employer contribution. Those without access to employer-based coverage, or in cases where the employer does not make a contribution, choose from plans offered by insurance carriers certified by IPGB. Adults may receive the subsidy only if all children in the family are covered by a health insurance program. Enrollees are responsible for any co-payments, co-insurance, and deductibles of the plans they select, as well as the unsubsidized portion of the premium. The program is not an entitlement, and enrollment is on a first-come, first-served basis. For 1999-01, the program serves an enrollment level of 5,200--5,500 persons.

Revenue Sources and Relationships

Since its inception, FHIAP has been funded from tobacco tax revenues resulting from passage in 1996 of Ballot Measure 44, which implemented a 30-cent per pack tobacco tax and dedicated 27 cents of it to the Oregon Health Plan. (The remaining 3 cents goes to the Health Division for tobacco prevention activities.) The 1999-01 budget also has $4.5 million from a 10-cent per pack cigarette tax surcharge that was to expire in January 2000 but was extended by the 1999 Legislative Assembly until January 2002.

Due to a delay in implementing the program and to the length of time it took private insurers to complete enrollment (30 to 90 days), most of the Measure 44 revenue supporting the 1997-99 budget carried forward for use in 1999-01. Revenue for 1999-01 is budgeted at $23.8 million, including $16.5 million carried forward from the prior biennium. As a result of declining tobacco tax revenue and rising costs in the Medicaid program (the primary recipient of Measure 44 revenues), the Governor's budget for 2001-03 shifts funding for FHIAP from tobacco taxes to proceeds from the settlement reached with tobacco products manufactures in the Master Settlement Agreement of 1998.

Federal Funds anticipated for 1999-01 were to come from the Children's Health Insurance Program (CHIP) contingent upon approval by the federal Health Care Financing Administration of an amendment to the state's CHIP plan that would have allowed eligible FHIAP-covered children to be included in CHIP. The approval was not forthcoming, so Federal Funds have been eliminated as a source of funding for FHIAP. The Governor and program administrators has stated that they will continue to seek federal waivers that could link FHIAP with federal Medicaid and CHIP resources, but no specific benefit design plans have been presented.

Budget Environment and Performance Measures

It was originally expected that FHIAP would provide coverage for up to 21,000 persons by the end of the 1997-99 biennium. Several factors altered this expectation. The program did not start until the second half of the biennium, and the initial enrollment process took several months to complete. Therefore, the number of enrollees started out much lower than originally anticipated. Also, CHIP, which started about the same time as FHIAP, expanded health services for children, resulting in fewer children enrolled in FHIAP. Since the ratio of adults to children is greater than anticipated, and adult health care premiums are more costly, the budget covers fewer people. Also, medical inflation has increased health insurance premium costs and resulted in the funds being spread among fewer people. These factors limit the number who can be served in 1999-01 to about 5,250 people. Participation in the program is on a first-come, first-served basis, with applicants placed on a reservation list. As of October 2000, the reservation list consisted of 251 applications under review, 12,036 applications sent out but not yet returned, and 9,444 waiting to receive applications. Although the agency ceased aggressive marketing efforts in late 1998, about 1,000 to 1,500 people are added to the reservation list each month.

During the spring of 2000, IPGB and its third party administrator explored ways to reduce the contractor's administrative costs and improve customer service. None of the options explored was successful, so the contract was terminated, and IPGB phased-in responsibility for in-house administration of the program. The phase-in, completed in November 2000, was accomplished with existing and limited duration staff, as well as the development of a more flexible database system. The agency plans to continue in-house administration of the program in 2001-03 with a target of keeping administrative costs at 10% of total program costs.

The FHIAP also has a direct line to Benchmark 58 relating to the percentage of Oregonians who are uninsured. The program's ability to reduce the percentage of uninsured is limited by the level of funding it receives and by the agency's ability to use its authority for program design to maximize the number of people who can be covered within existing resources. The agency will report on progress toward the development of specific performance measures during the upcoming legislative session.

Governor's Budget

The Governor's recommended budget for FHIAP is a 6.6% increase compared to 1999-01 estimated expenditures and funds the program at the current service level. Standard inflation factors are used for Services and Supplies (2.5%) and Professional Services (3.5%). The Special Payments budget, which reflects premium subsidy payments to insurers, is increased at the medical inflation rate of 4.6 percent. As noted in the revenue section, to maintain the program in the face of declining tobacco tax revenues and rising health care costs, the Governor shifts the source of funding for FHIAP from tobacco tax revenues to Tobacco Settlement funds.

The Governor's budget presents two significant policy choices for legislative consideration. The first choice is whether to use Tobacco Settlement funds at all; and the second choice, assuming the first choice is answered affirmatively, is whether to use them to maintain this program.

Because persons served by FHIAP have incomes too high to qualify for Medicaid, there are no federal matching funds to augment the program. The 2001 Legislative Assembly will need to decide if maintenance of FHIAP, absent a federal match, is a higher priority than shifting the resources to the Department of Human Services (DHS) to match federal Medicaid, which provides a match rate of almost 60%, or CHIP, which generates close to a 72% federal match. Using the funds on a federally matched program could, depending on how it is used, generate $50 million or more in federal resources for expanding health coverage to low income people. On the other hand, by serving the so-called "working poor," FHIAP targets people with incomes too high to qualify for these federal programs but insufficient to afford unsubsidized health care coverage.

Long Term Care Ombudsman – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	577,310	544,541	637,661	637,661
Other Funds	933,018	1,259,859	1,233,350	1,233,350
Total	**1,510,328**	**1,804,400**	**1,871,011**	**1,871,011**
Positions (FTE)	8.00	8.00	8.00	8.00

Program Description

The mission of the Office of Long Term Care Ombudsman is to enhance the quality of life, improve the level of care, protect the individual's rights, and promote the dignity of each Oregon citizen residing in a long term care facility. Long term care facilities include nursing, residential care, and assisted living facilities, as well as adult foster homes. To carry out its mission the agency investigates complaints made by residents and their families about long term care facilities and mediates and resolves disagreements between residents and facility operators. The agency also regularly monitors care in long term care facilities. If an investigation uncovers evidence of abuse, the Long Term Ombudsman reports this finding to the Senior and Disabled Services Division (SDSD) of the Department of Human Services (DHS). To do its work, the Ombudsman's office uses a network of 190 certified volunteers across the state to visit residents in the facilities. Ombudsman staff provides training to the volunteers and deals directly with the more difficult complaints. In addition to certified volunteers who investigate complaints, the agency also uses volunteers to manage its RAP/CHAT program. This effort is designed to encourage informal citizen interaction with long term care facility residents. RAP/CHAT volunteers typically go to their assigned facilities weekly for friendly visits with residents.

Revenue Sources and Relationships

The majority of the General Fund is used to match either Federal Medicaid Funds (50% federal and 50% state or local funds) or Federal Older Americans Act Funds (75% federal and 25% state or local funds). The Older Americans Act funds for the ombudsman program are capped and estimated to be about $342,000 for the 2001-03 biennium. The level of available Medicaid funds depends on the time spent working on complaints from Medicaid clients. The Governor's budget assumes that about $391,000 of Medicaid funds will be matched by SDSD and returned to the Ombudsman.

DHS is the state agency that receives the Federal Funds for both the Medicaid and Older Americans Act programs. For this reason, the Ombudsman must provide the required matching General Fund to SDSD. To track the General Fund for budgetary purposes, the Ombudsman's office pays the General Fund ($500,150) to SDSD. SDSD in turn uses these funds to match the Federal Funds and transfers the original payment and the Federal Funds back to the Ombudsman. The Ombudsman spends these Other Funds and its unmatched General Fund ($137,511) to operate its programs. Thus, the agency's budget includes expenditure limitation for both the payment to SDSD as well as the agency's operating budget.

Budget Environment and Performance Measures

The primary budget driver of the Long Term Care Ombudsman program is the number of long term care facilities and clients in Oregon. There are approximately 38,000 beds in Oregon's long term care system. Residents live in 156 nursing facilities, 185 residential care facilities, 139 assisted living facilities, and 1,900 non-relative adult foster homes. While the number of nursing homes has declined, the number of both residential care facilities and assisted living facilities have grown rapidly. Two years ago there were 172 nursing, 146 residential care, and 101 assisted living facilities. The number of non-relative adult foster homes has remained roughly the same.

The Long Term Care Ombudsman is concerned both with the declining number of nursing facilities and the rapid growth of residential care and assisted living facilities. Oregon made a deliberate policy choice in the 1980's to build up its community-based long term care system as an alternative to nursing facility care. Since then, community-based options have expanded and continue to expand significantly and the number of nursing facilities has declined. The Ombudsman has concerns about the ability to adequately monitor the quality of client care given the rapid growth of residential care and assisted living facilities. As remaining nursing facilities attempt to survive financially, the Ombudsman is concerned that some will attempt to reduce costs at the expense of client care. In addition, there are concerns that assisted living facility staff will not be able to care for the increasingly impaired clients who, years ago, would have been served in nursing facilities.

The agency uses a number of performance and workload measures to assess its programs. Seven of them are the most notable and are listed below:

- Total number of facility visits by all program representatives. The 1999-01 target is 15,500, and agency staff and volunteers expect to make 19,500 visits.
- Responding to all long term care facility complaints. The 1999-01 goal is 10,000, and agency staff and volunteers expect to respond to 12,000 complaints.
- Percentage of fully or partially resolved complaints. The biennial goal is 80 percent. The agency predicts it will fully or partially resolve 86% of all complaints.
- Percentage of nursing facilities visited at least annually by a program representative. The 1999-01 goal is 90 percent. The agency expects to visit 80% of the state's nursing facilities.
- Percentage of adult foster homes visited at least annually by a program representative. The 1999-01 target is 35 percent. Agency staff and volunteers expect to visit 29 percent.
- Percentage of residential care facilities visited at least annually by a program representative. The 1999-01 goal is 55 percent. Staff and volunteers expect to meet this goal.
- Percentage of assisted living facilities visited at least annually by a program representative. The biennial goal is 60 percent. The agency expects to exceed the goal by visiting 70% of the state's assisted living facilities.

Governor's Budget

The Governor's budget funds the agency at its current service level. The Governor's proposed budget includes a $93,000 or 17.1% increase in General Fund above the estimated level for the 1999-01 biennium. This increase is the result of limited Federal and Other Funds revenue. In one instance, Older Americans Act funding is assumed not to increase for the 2001-03 biennium. In another instance, Other Funds from a donation and lawsuit settled that were used in the 1999-2001 biennium in place of General Fund have been depleted. Therefore, inflationary or salary increases are funded with General Fund to maintain a current service level budget.

Psychiatric Security Review Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	595,513	699,859	732,079	732,079
Other Funds	441	2,000	6,150	6,150
Total	**595,954**	**701,859**	**738,229**	**738,229**
Positions (FTE)	4.00	4.00	4.00	4.00

Program Description

The Psychiatric Security Review Board was created by the Legislature in 1978. The five-member Board supervises the custody and release of persons who suffer from mental disease or defect and present a substantial danger to others and who have been found guilty except for insanity of committing a crime. The length of jurisdiction is for the maximum statutory sentence possible if convicted; sentencing guidelines do not apply.

The Board has two major functions: hold administrative law hearings to determine the appropriate placement for persons in its custody, and monitor conditional release. Through its review, the Board can commit a person to a state hospital, conditionally release a person in the state hospital to a community-based mental health program, revoke the conditional release of a person under its jurisdiction, or discharge a person from the Board's jurisdiction. The Board coordinates treatment and case management services for persons on conditional release. It works cooperatively with, but independently of, the judicial and mental health systems. The Board's primary concern is protection of the public.

Revenue Sources and Relationships

The agency depends on General Fund for its operations. Other Funds are from a $10,000 award from the American Psychiatric Association in 1994. The funds are used for staff and Board member training. The unspent balance will carry forward for expenditure in 2001-03. Funding for mental health treatment and supervision of the Board's clients at the Oregon State Hospital (OSH) or in the community is included in the budget for the Department of Human Services Mental Health and Developmental Disability Services Division. These costs are estimated at $50 million total funds for 2001-03.

Budget Environment and Performance Measures

The Board now has jurisdiction over about 550 persons, a 10% increase from the expected 1999-01 level. This continues an upward trend. As the population grows, there is more demand on limited community mental health services. Access to regional acute care services and longer-term treatment at Oregon State Hospital are also limited. Without appropriate treatment, more mentally ill persons come into the criminal justice system. Also, more criminal defendants are opting for the insanity defense as an alternative to much longer mandatory sentences under Measure 11 (1994). Unless there are significant increases in mental health resources, or changes in criminal sentencing laws, the caseload is expected to continue growing.

About 325 of the persons under the Board's jurisdiction are in the Oregon State Hospital. The Board projects about 225 clients will be on conditional release in the community in the 2001-03 biennium. This is 10% higher than the 205 estimated in its 1999-01 budget. One constraint on the number of conditional releases is the lack of community housing and appropriate supports. Without these resources, patients stay longer at the more-restrictive forensics ward at Oregon State Hospital.

The Board tracks performance measures for recidivism and hearings efficiency. The recidivism rate (number of revocations based on a new felony charge) has continued at zero. The Board's success depends in large part upon its ability to review and resolve cases in a timely manner. The Board received funding for 15 additional hearing days in its 1999-01 budget, bringing the total number of funded days to 92. With technology improvements, the Board has been able to increase the number of decisions per day from an average of 15.1 in mid-1996 to 17.8 in the first 6 months of 2000. It is currently meeting statutory time limits for hearings about 90% of the time, up from 80 to 85% in 1998.

Governor's Budget

The Governor's Budget continues the Board's operations at the current service level. The overall budget is about 5% more than in 1999-01 to cover inflation and other cost increases.

PUBLIC SAFETY

Department of Corrections (DOC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	642,457,908	762,994,011	927,780,357	863,315,726
Other Funds	162,518,912	227,834,133	31,408,006	143,280,690
Federal Funds	7,541,851	8,041,851	8,323,316	10,323,316
Nonlimited	3,400,614	5,200,000	0	0
Total	**815,919,285**	**1,004,069,995**	**967,511,679**	**1,016,919,732**
Positions (FTE)	3092.30	3439.78	4057.96	3832.17

The Department of Corrections, formerly a division within the Department of Human Services, was established as a separate department by the 1987 Legislature. The Department is responsible for the incarceration of adult and certain juvenile felons sentenced to prison for more than twelve months by the courts. SB 1145, passed by the 1995 Legislature, transferred management of those offenders sentenced or sanctioned for incarceration periods of 12 months or less and all felony offenders under community supervision to the counties effective January 1, 1997. The Department provides funds to local governments to offset the costs of maintaining these offenders.

Governor's Budget

The recommended General Fund budget of $863.3 million is a 13.1% ($100.3 million) increase over the 1999-01 estimated expenditures but is 6.9% ($64.5 million) below the current service level estimate. The total funds budget of $1,016.9 million is a 1.3% increase over 1999-01 estimated expenditures and is 5.1% above the overall current service level estimate. The recommended budget:

- Continues funding for the operation of all existing institutions, but budget cuts will require correctional programs to be centralized and inmate activities to be reduced.
- Delays opening the Lakeview work camp and minimum custody expansion beds at three existing institutions;
- Phases in opening of the Coffee Creek Correctional Facility (CCCF) in Wilsonville;
- Phases in final Two Rivers Correctional Institution (TRCI) beds in Umatilla;
- Provides funding for major capital improvement projects and three capital construction projects at existing institutions;
- Provides funding necessary to cover debt service costs on all approved construction projects; and
- Establishes a new capital construction limitation to construct a minimum custody work camp in Lakeview; to complete on-site development, off-site infrastructure, and construct a minimum custody facility in Madras; and to construct minimum custody expansion beds at the Shutter Creek Correctional Institution.

DOC – Institutions

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	275,337,862	346,751,791	433,097,805	403,534,129
Other Funds	7,788,254	4,218,892	13,195,426	12,881,348
Federal Funds	7,541,851	8,041,851	8,323,316	10,323,316
Total	**290,667,967**	**359,012,534**	**454,616,547**	**426,738,793**
Positions (FTE)	2193.34	2600.43	3141.66	2977.97

Program Description

The Institutions Division is responsible for the security, housing, and operation of thirteen correctional institutions. These are: Oregon State Penitentiary, Eastern Oregon, Snake River, Two Rivers, Santiam, Columbia River, Powder River, Shutter Creek and Oregon State Correctional Institutions; South Fork Forest Camp; Oregon Women's Correctional Center, Mill Creek Correctional Facility; and the Oregon Corrections Intake Center. Included are institution operations, classification and transfer, inmate transportation, gang management, emergency preparedness, and Institution's central administration.

Revenue Sources and Relationships

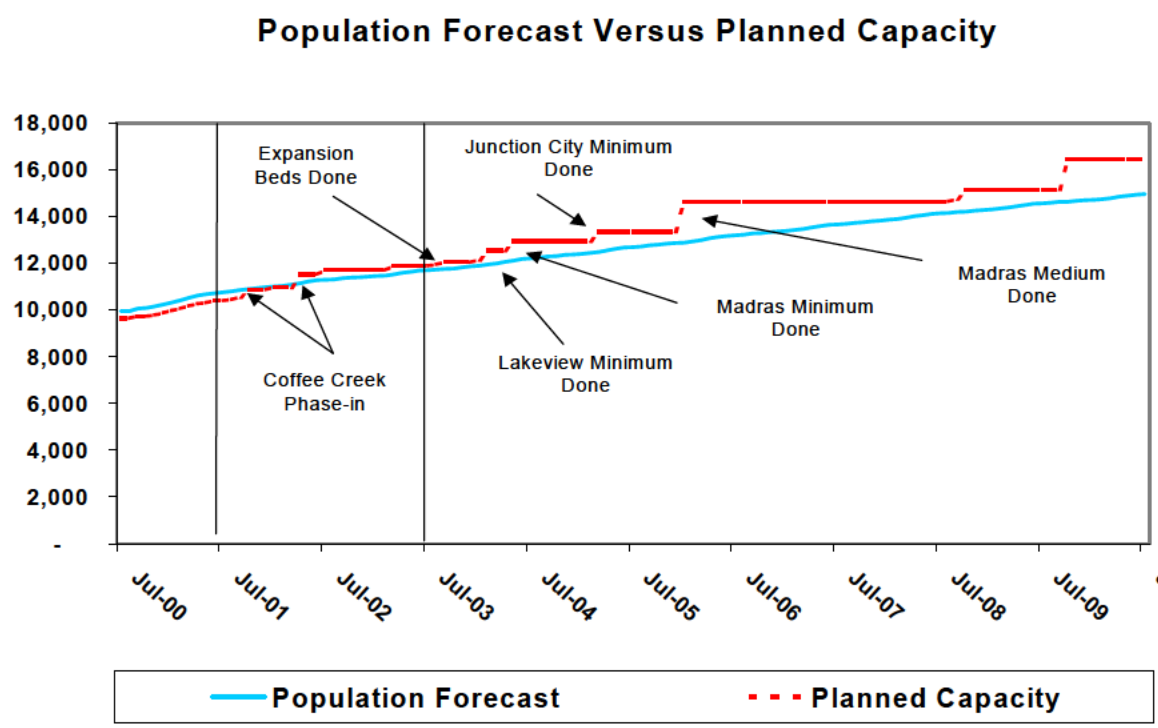
The Other Funds include revenue from a variety of sources including services provided by inmate work crews, sale of medical prosthetics, meal tickets, witness fees, canteen sales, and inmate room and board reimbursements ($9.4 million); the sale of items produced by inmate work and training programs ($1.5 million). Inmate Welfare Fund revenues received from inmates or inmate-related sources such as coin operated telephones, canteen profits, vending machines, and copiers ($1.2 million); rental of beds for SB 1145 offenders until local jail construction is complete ($7,547); and miscellaneous grants and donations ($4,940). In 1997-99, approximately $6.6 million Other Funds was derived from rental of beds for SB 1145 offenders to provide temporary housing until local jail construction projects were completed.

The Governor's recommended budget assumes that $10.3 million in Federal Funds will be available through the State Criminal Alien Assistance Program (SCAAP) to partially offset state expenditures for incarceration of illegal aliens. However, significant changes in the calculation of the fiscal year 2000 SCAAP awards are leading to dramatic changes in the funds received by some states. DOC's fiscal year 2000 award was $3.4 million, which represents a $2 million reduction from fiscal year 1999. If this award level continues in 2001-03, there could be approximately a $4 million Federal Fund shortfall that may require a corresponding General Fund backfill.

Budget Environment and Performance Measures

The budget for Institutions is driven by the prison population forecast; sentencing laws; custody level requirements; local arrest, prosecution, and sentencing practices; and Ballot Measure 17 (1994) implementation. With the changing offender profile, additional supervision, special housing, and security threat group managers are even more critical to institutional safety and security.

The 1999-01 budgeted institution capacity ranged from 9,326 up to 10,392. The Department is currently able to manage all male offenders within the state. However, it is using 280 temporary beds and renting approximately 10 beds for men from the Deschutes County as a part of a transitional housing project. By the end the 1999-01 biennium, the Department will be operating 1,440 of the 1,632 beds that exist at the men's medium custody facility in Umatilla. A shortage of women's beds will require the Department to use up to 40 temporary or in-state rental beds during the biennium.



In 2001-03, the Department plans to maintain up to 308 temporary men's beds that have been in use at six different facilities, phase-in the remaining 192 medium custody beds at TRCI; open the 324-bed women's minimum custody facility at Coffee Creek in October 2001; convert 218 women's minimum custody beds at Columbia River Correctional Institution back to men's beds in October 2001; phase-in the remaining 96 intensive management beds at SRCI in January 2002; open 306 medium custody women's beds and the 432-bed men's intake facility at Coffee Creek in April 2002; eliminate contract for use of 180 intake beds at the Clackamas County intake facility, and eliminate 160 temporary women's beds at Eastern Oregon Correctional Institution in

April 2002; re-open 180 medium custody men's beds at Eastern Oregon in July 2002; and convert the Oregon Women's Correctional Center to a 190-bed men's minimum custody facility in March 2003. Start-up and operational plans at several facilities are being delayed until the 2003-05 biennium based on the Department's policy decision to continue to operate up to 308 temporary beds and reduce the number of beds held vacant for population management purposes from 5% to 3 percent. Specifically, the completion of the 50 bed expansion at the South Fork Forest Camp has been delayed from October 2002 to August 2003; 100 bed expansion of the Powder River Correctional Facility has been delayed from March 2003 to September 2003; 100 bed expansion of the Shutter Creek Correctional Institution has been delayed from April 2003 to January 2004; and opening of the 400 bed minimum custody men's facility in Lakeview has been delayed from June 2003 to February 2004.

The October 2000 prison population estimate used to develop the Governor's 2001-03 recommended budget indicates a need for 10,757 beds by July 2001 and 11,703 beds by July 2003. The long-range forecast indicates that Oregon's prison population will increase by 50% (to 14,956) by July 2010. About half of this growth is directly or indirectly due to passage of Ballot Measure 11 (1994). To accommodate this growth, the Department continues to implement its Long-range Prison Construction Plan. The plan is modified based on revised forecasts. In 2001-03, significant start-up and operations costs will be incurred and over 350 new Institutions employees are expected to be hired to open the Coffee Creek Correctional Facility and as Snake River and Two Rivers facilities phase-in remaining housing units.

The Department plans to use up to 308 men's temporary beds (beds that are beyond facility design capacity and generally occupy dayroom spaces) until February 2004. At that time, the Lakeview 400-bed minimum custody facility should be finished, creating a 447 male bed surplus. During the 2001-03 biennium, the male bed surplus is projected to reach a high of 217 beds as of July 2002 and then go down to 26 beds by July 2003. In April 2002, when the medium beds are available at the new Coffee Creek women's prison, the Department will have a surplus of 198 women's beds that will diminish slowly allowing the total women's capacity of 833 to meet projected need through 2008. Until the Coffee Creek intake facility is completed in April 2002, the Department will continue to contract with the Clackamas County Sheriff for use of the Oregon Intake Center. This contract arrangement has been in place since 1991-93.

Due to changes in the charging, plea bargaining, and sentencing practices, the Department will have more minimum custody inmates and fewer medium custody inmates than was forecast at the time the Umatilla prison construction was authorized. In 2001-03, the Department will have 1,200 to 1,500 more minimum custody male inmates than it does minimum custody beds; 900 to 1,100 fewer medium custody male inmates that it does medium capacity; and 300-400 fewer maximum custody male inmates than it does capacity. The net effect is that 1,200 to 1,500 minimum custody male inmates will need to be kept in medium custody beds throughout 2001-03. Medium custody beds are generally more costly to operate than minimum custody beds. The Department may be able to modify staffing patterns for minimum custody inmates kept in medium custody facilities to avoid higher costs. The Department has revised the long-range prison construction plan to add minimum custody beds as overall system capacity requires.

Many of the existing institutions have significant deferred maintenance needs due to their age, over-utilization, and lack of funding for maintenance systems. The Department estimates that deferred maintenance needs now exceed $75 million. The Department estimates that about $28 million of the projects are related to critical life, health, and safety issues. Approximately $1.3 million is available in the current service level budget for Capital Improvements to deal with this issue. Existing institutions have also identified the need to remodel several control centers; replace obsolete radio systems; cross-fence large recreation yards; upgrade information systems and add institutionally-based computer support staff; add secure vehicle sallyports and security cameras; increase facility maintenance funds; and establish additional positions for security threat group management, control centers, mobile patrols, inmate work supervision, and relief management. The Department would like to finance critical improvement projects with proceeds from the sale of certificates of participation.

The 1999 Legislature directed the Department to reevaluate its post relief budgeting following implementation of the new staff deployment system. The Department completed a post relief factor evaluation and concluded that funding for overtime has not been included in the post relief budget. It is also interested in pursuing an additional $3 million to upgrade radio systems; increase the number of inmate supervision and security threat group manager positions at several existing institutions; and address salary compression issues with captain and lieutenants. The 1999 Legislature also directed the Department to study the feasibility of "hot bunking" and if it determines that a pilot project is feasible, develop a business plan, operational budget, and any necessary legislation for implementation. As of October 2000, a Department workgroup had studied the feasibility and developed a preliminary report indicating that "hot bunking" requires increased supervision and is not considered cost effective. A complete report will be provided to the Joint Committee on Ways and Means during the 2001 Legislative Session.

The effectiveness of the Department's Institutions and community supervision programs is, in part, measured through performance data that tracks the percentage of paroled adult offenders convicted of a new felony within three years of initial release (Oregon Benchmark 64). The 1997 data show that 30% of the offenders were convicted of a new felony within three years. This is down from the peak of 38% that was reached in 1991. In addition, the Department is collecting data to measure outcomes in the following four key areas: compliance with the constitutional requirement for inmate work (Ballot Measure 17); the number of inmate walk-aways from institutions; the number of inmate assaults; and inmate drug usage. The data show an upward trend in Ballot Measure 17 monthly performance levels with more than 80% of eligible inmates in compliance since February 2000; a downward trend in the number of inmate walk-aways with an average of less than 2 per month during the first nine months of 2000; a downward trend in the assault rates per 1,000 inmates with only 2.8 as of July 2000; and a downward trend in the annual rate of positive random drug tests with only 5% testing positive in 1999.

Governor's Budget

The recommended budget of $426.7 million reflects an 18.9% ($67.7 million) increase to the 1999-01 estimated expenditures and is based on the October 2000 prison population forecast, which revised the growth rate upward during 2001-03 from the prior forecast. The recommended budget is 6.1% ($27.9 million) below the amount necessary to support current service levels based on decisions to delay start-up of new and expanded facilities and reduce certain activities. The Governor's budget relies on the use of 280 to 308 temporary beds and up to 40 rental beds for women during three months of the biennium. The budget growth is primarily due to roll-up costs of negotiated salary increases, Women's Prison and Intake Center start-up costs, and SRCI/TRCI operations phase-in. The budget reduces the General Fund by:

- $11,103,984 and postpones the hiring of 210 positions (49.18 FTE) based on the assumption that start-up and operation of the 400-bed work camp in Lakeview ($6.6 million) and 250-bed expansions at three other minimum custody facilities ($4.5 million) can be delayed until 2003-05.
- $7,555,590 based on one-time start-up and equipment costs at TRCI.
- $6,096,617 based on termination of a contract with Clackamas County for use of jail space as the state's intake center when the new intake center opens in April 2002.
- $5,274,220 and 55 positions (59.30 FTE) based on decisions to reduce institution support and management.
- $3,645,264 and 32 positions (32 FTE) based on decisions to reduce/eliminate inmate activities.
- $2,100,632 in statewide services/supplies and capital outlay expense reductions.
- $2,000,000 based on the assumption that the new central warehouse and distribution center will be able to further reduce purchasing/distribution costs.
- $2,000,000 based on the assumption that Federal Funds received from the State Criminal Alien Assistance Program funding will continue at the level experienced during the last two years.
- $1,346,153 and 13 positions (15 FTE) based on a decision to eliminate the morning exercise yards on weekdays.
- $1,278,281 based on the assumption that services and supplies for start-up of the new intake center and women's prison can be reduced 15 percent.
- $1,052,483 and 10.60 FTE based on plans to convert 160 women's beds at EOCI to 180 men's beds when the new women's prison opens.
- $815,142 and 8.21 FTE based on the decision to reduce the inmate processing time at the new intake center to 22 days.

General Fund additions to the budget include:

- $37,044,171 and 326 positions (260.01 FTE) to phase-in staff at the newly constructed women's prison and intake center. This includes $8,521,874 in one-time start-up equipment.
- $9,599,435 and 71 positions (68.38 FTE) for start-up and operating costs at the final TRCI housing units. This includes three 96-bed medium custody-housing units and a 44-bed disciplinary segregation unit.
- 4,376,344 for start-up, training and operation of the final 96-bed Intensive Management Unit at the Snake River Correctional Institution in January 2002. This includes 47 correctional officer positions (41.36 FTE).
- $3,486,340 to fully phase-in TRCI beds opened during the 1999-01 biennium.
- $1,707,058 to cover inflationary and DAS price list increases.

- $1,035,712 and $4,192,776 Other Funds to transfer position authority and funding for 11 work crew supervisor positions (10.25 FTE) from Oregon Correctional Enterprises, based on passage of HB 2488 and HJR 82. The Other Funds limitation includes amounts necessary for 29 additional work crew supervisor positions that were transferred in 1999-01.
- $844,721 for women's beds rental costs between July 2001 and September 2001.
- $122,590 to continue work crew supervisor positions assigned to manage inmates assisting in the construction of the TRCI minimum custody beds. Other Funds derived from certificates of participation are no longer available to support these positions since construction was completed during 1999-01.
- $100,000 for costs associated with implementation of the AFSCME non-security pay differential.

DOC – Community Corrections Grants

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	165,298,160	174,733,290	194,409,482	194,409,482
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

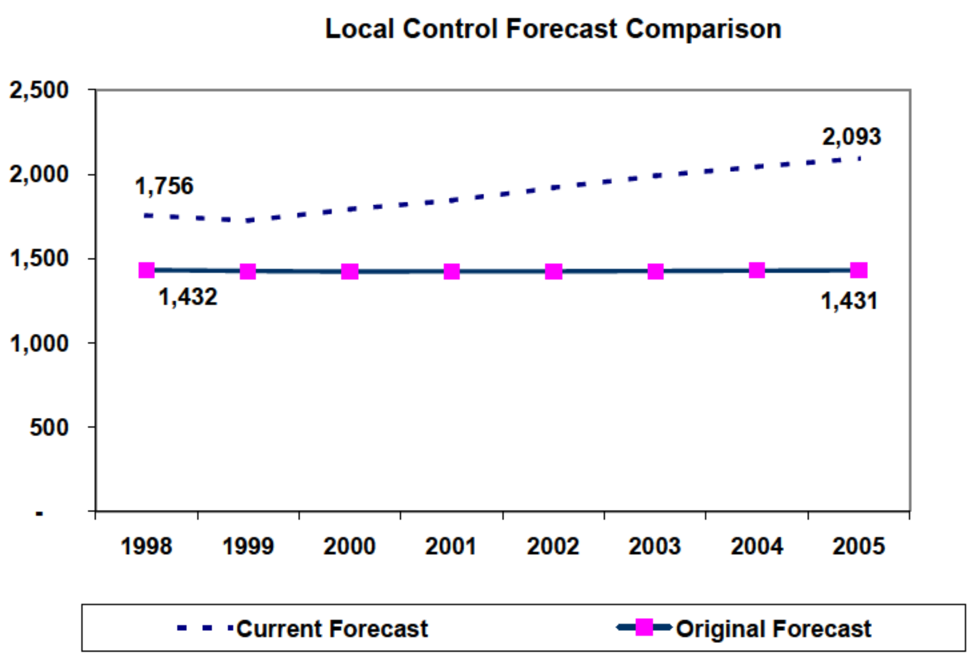
This program provides Grant-in-Aid funding to counties pursuant to the provisions of SB 1145. Based on SB 1145, the community corrections program was restructured to establish state/local partnerships and shift resources and control for community corrections to the counties. The state provides oversight and block grant funding (Grant-in-Aid) and no longer operates any community corrections field offices directly. The Grant-in-Aid is based on the number and risk of offenders to be managed.

Revenue Sources and Relationships

This budget unit is entirely supported by the General Fund. SB 1145 went into effect on January 1, 1997, so grant funds were only provided for the last six months of 1995-97. In 1999-01, approximately $98.7 million was provided for supervision of all parole and probation supervision populations and approximately $76 million was provided for local control of all offenders sentenced or sanctioned to 12 months or less.

Budget Environment and Performance Measures

The Community Corrections Grants budget is driven by the local offender population forecast issued by the Office of Economic Analysis; the number of offenders on parole, probation, and post-prison supervision; offender supervision risk scores; local arrest, prosecution, sentencing, sanctioning, revocation, and treatment policies; and the Grant-in-Aid funding formula. The October 2000 local control forecast is compared to the October 1995 forecast used in the 1996 Special Session in the following graph:



In 2001-03, counties are expected to manage 28 to 39% more local control offenders than was originally projected. However, community supervision (parole and probation) populations will be dropping from a monthly average of 30,440 to 28,651. Using the same formula and methodology as used in 1999-01, adjusted upward for inflation, the net effect is a $19.7 million increase to Grant-in-Aid funding.

The state has provided funding to build 21 local facilities to incarcerate/treat 1,342 offenders and is in the processing of providing funding for an additional 164 beds (Multnomah – 150; Clatsop – 14) for a total of 1,506 beds. Counties will be challenged to manage those offenders that will exceed their jail/treatment bed capacities. Based on the October 2000 forecast, counties will have enough state-constructed jail/treatment beds to deal with 75 to 85% of the SB 1145 offenders projected to be in the system between July 2001 and July 2005. The original agreement and assumption was that 75% would receive jail/treatment and 25% would receive an alternative sanction.

During 1997-99 and 1999-01, the Department rented bed space to counties while they were completing construction projects. Nearly all of the 22 county construction projects for housing additional SB 1145 offenders are completed, so county demand for rental space is expected to be minimal during 2001-03.

Based on considerable concern among several counties as to the adequacy of state funding for management of SB 1145 offenders, the 1999 Legislature re-established the baseline funding at a higher level (in HB 2432) utilizing cost information collected from counties by the SB 1145 Implementation Committee (made up of sheriffs, jail commanders, community corrections directors, criminal justice staff, and county representatives). As a result, the daily rates increased from $67.62 per day for 75% of the local control offenders to $76.57 per day and the $7.28 per day rate for the remaining 25% of the offenders increased to $19.04 per day. This baseline funding adjustment increased the 1999-01 community corrections budget by $4.7 million. Based on HB 2432, community corrections grants in future biennia will be increased from the newly established rates according to the current service level provisions of SB 1145. Based on a 3.5% biennial inflation factor, the 2001-03 daily rates would increase to $79.25 per day for 75% of the offenders and $19.71 for the remaining 25 percent.

The 1999 Legislature also directed the Department to develop a method that creates a capitated model for allocation of the community corrections grant funds. This model was to consolidate all SB 1145 funds into a single grant for each county, encourage cost-effective management, develop incentives for effective offender management, allow the greatest degree of local control possible, and relate to statewide community corrections outcomes as outlined in the intergovernmental agreements. Once the model is developed, the Department is to present legislative changes necessary to implement it for the 2001-03 biennium to the Joint Committee on Ways and Means and the appropriate policy committees. The Department has developed a capitated model for allocation and also wants to use the model to increase the baseline funding by approximately $13 million above the current service level. The Department plans to introduce a legislative concept to allow the new model to be fully implemented during 2001-03. Under the proposed model, the community corrections grant budget would no longer be based on a caseload forecast produced by the DAS Office of Economic Analysis. Instead, the grant increase or decrease would be based on a caseload trend analysis produced by the Department of Corrections. Specifically, the baseline funding would be adjusted each biennium according to a “change index” that represents the percent increase or decrease in cases over the previous two years and inflation increases in the case rates. The proposed model raises policy issues relating to the increased cost, the appropriateness of moving to a trend-based rather than a forecast model, the appropriateness of eliminating the DAS forecast role, and the ability to assess fiscal impacts of new legislation on community corrections programs. The primary reasons the new method calls for this significant budget increase in 2001-03 is that the change index (unlike the DAS forecast) would not reflect local forecasted control caseload decreases that are resulting from passage of HB 2002 (which reduced most Driving While Suspended convictions from felonies to misdemeanors and increased fourth and subsequent convictions for Driving While Under the Influence of Intoxicants from misdemeanors to felonies). Instead, the change index would reflect local control caseload growth based on what was occurring prior to passage of HB 2002. In other words, the forecast model captures caseload reductions as they occur, while the change index model delays the impact of any caseload changes (up or down) by approximately two years.

The Office of Economic Analysis is projecting a decrease in the number of parole and probation offenders that will be under community supervision in 2001-03. The 1999-01 budget was based on an average parole caseload of 10,886 and a probation caseload of 18,318. In 2001-03, average parole caseload is expected to be up slightly to 10,955, and probation caseload is expected to reduce to 17,696 (3% reduction). The primary reason the number of parole and probation offenders is lower than in previous forecasts is a change in how the funded caseload is determined. Under prior forecasts, offenders were in the caseload until the local jurisdiction reported that the offender's period of supervision had ended. Under the revised forecast, offenders are dropped from the funded caseload when they reach the end of their maximum sentence. Based on the October 2000 forecast, the budget to address these offenders will only need to increase by about $5.6 million (from $98.7 million to $104.3 million).

The 1999 Legislature passed HB 2328, which requires that sexually violent offenders be intensively supervised. During 1999-01, only two offenders were projected to fit the profile for this level of supervision, and $29,534 was budgeted to supplement the amounts provided to counties. DOC Research projects that an average monthly caseload of 33 offenders could fall into this category during 2001-03. HB 2328 requires the Department to use its projection when calculating the budget for this division. To fully fund the cost of these offenders, the Department estimates that it could cost up to $0.4 million.

In an effort to monitor SB 1145 performance, three outcome measures have been developed for use in intergovernmental agreements between the Department and the counties. The Department is also beginning to gather data to monitor its success in increasing the number of inmates who comply with orders to pay restitution, compensatory fines and financial obligations owing to communities; increasing the number of weeks of inmate employment in the year following release; and decreasing the number of offender families who are dependent on public assistance. The measures relate to the number of high-risk offenders who abscond supervision; the number of supervision cases closed with positive case outcomes; and a reduction in recidivism of those locally incarcerated and supervised. The data show that high risk absconds have decreased over the last four reporting periods; positive probation case closure rates are beginning to show improvement; the trend of positive parole case closures continues; and recidivism rates for probation and parole have decreased during the last two reporting periods.

Governor's Budget

The recommended budget of $194.4 million is 11.3% ($19.7 million) above 1999-01 estimated expenditures and is intended to maintain the current service level for the program. However, it is possible that funding may be inadequate for intensive supervision of approximately 33 offenders who will potentially be determined to be sexually violent dangerous offenders. Current estimates indicate that up to $0.4 million in supplemental funding may be necessary to fulfill the intensive supervision requirements established for these offenders by HB 2328. DOC is developing information necessary for this issue to be addressed during legislative review. The budget has been adjusted based on the October 2000 population projections. Daily rates for jail and community services and offender case rates for parole and probation field supervision have been adjusted for inflation. The budget grows by:

- $6,722,606 to phase-in the actual cost rates established by statewide workgroups and approved by the 1999 Legislature and to adjust the rates upward using a biennial inflation rate of 3.5 percent. Actual cost rates were budgeted for use in the last 15 months of 1999-01.
- $6,115,666 to allow for 3.5% inflationary cost increases. As a result, $2.6 million is included for SB 1145 population management, and $3.5 million was included for probation and parole / post-prison caseload.
- $6,837,920 for caseload growth based on the October 2000 DAS Office of Economic Analysis forecast for parole, probation, post-prison supervision and local control populations.

DOC – Correctional Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	67,197,884	84,679,552	115,400,149	100,202,321
Other Funds	5,537,960	6,789,490	8,568,376	8,568,376
Total	**72,735,844**	**91,469,042**	**123,968,525**	**108,770,697**
Positions (FTE)	325.15	371.24	453.37	430.79

Program Description

This division provides various services to incarcerated inmates. Included are Workforce Development; Education and Training; Health Services, Religious Services, Intake and Assessment, Counseling and Treatment, and Transition Services. The Governor's recommended budget funds the programs at the levels indicated in the following table:

Program	1999-01 Leg. Approved	2001-03 Governor's Recommended Budget		
Areas	Total	GF	OF	Total
Health Services	48,737,689	57,251,506	235,694	57,487,200
Education Programs	20,791,473	19,298,927	3,300,685	22,599,612
Mental Health	9,105,348	11,749,896		11,749,896
Alcohol and Drug Programs	7,588,313	2,661,865	5,031,997	7,693,862
Religious Services	2,479,221	3,565,312		3,565,312
Intake & Assessment	1,978,145	2,750,687		2,750,687
Administration	788,853	2,924,128		2,924,128
Totals	91,469,042	100,202,321	8,568,376	108,770,697

Revenue Sources and Relationships

The primary source of Other Funds is telephone contract revenue ($4.1 million). The Inmate Welfare Fund is expected to provide approximately $1.5 million in Other Funds from inmates or inmate-related sources such as coin operated telephones, canteen profits, vending machines, and copiers. Approximately $1.2 million in Other Funds is expected from revenue derived from the sale of meal tickets, witness fees, canteen sales, and inmate room and board reimbursements. Approximately $1.1 million in Other Funds revenue is also expected from Oregon State Police pass through of Federal Funds for residential abuse treatment. Remaining Other Funds are expected from the Department of Education for inmate education programs ($371,417) and community college services ($127,400). Prior to 1997-99, the Department of Human Services provided approximately $1.1 million in grant funds for alcohol and drug treatment programs.

Budget Environment and Performance Measures

The Correctional Programs budget is driven by offender population; constitutionally and statutorily required programs and services; and other offender treatment or vocational training needs. Increased prison populations and the phasing in of new facilities will place higher demands on the various programs (health services, mental health, education, social skills, cognitive skills, sex offender assessment, alcohol and drug treatment, religious services), thus requiring more staff and General Fund support. The estimated 2001-03 phase-in costs to continue the existing delivery system for correctional programs when new beds are filled at CCCF, TRCI, SRCI, Lakeview, and the three minimum custody expansions are $24.8 million. The Department is exploring ways to deliver services in a more coordinated and streamlined manner to significantly reduce these costs. It is exploring ways to strategically place inmates so that it does not have to duplicate all program services at all locations. The Department is also interested in expanding transitional services; developing standard criteria for participation in programs; and increasing local access to offender assessment, treatment, and release plan information. This is being done as part of a multi-jurisdictional effort to reduce recidivism; increase the number of inmates successfully completing programs; increase the number of inmates able to maintain successful employment; and increase the amounts collected for restitution, fines, and crime victims compensation.

The Department continues to look for ways to maximize use of the Department's limited resources. It is currently using the intake / assessment process to develop incarceration / transition plans to target, prioritize, and schedule program interventions to address the risk factors (mental illness, alcohol / drug abuse, educational deficiencies, and work skills / habits) that contributed to their criminality. Currently, intake and assessment takes an average of nine working days; however, the Department is interested in substantially lengthening the time it takes to complete this process when the new intake center opens in April 2002. Since the intake center's daily operating costs are likely to be higher than the average daily prison operating costs, lengthening the process could have a significant cost impact. The Department hopes to offset some of the increased intake costs through savings achieved when inmate moves are reduced.

Although the number of incarcerated sex offenders continues to increase, funding for sex offender treatment was eliminated in the 1997-99 budget. Currently there are approximately 3,000 sex offenders in prison. The percentage of inmates with documented mental illness has grown from 13.6% in 1996 to a peak of 18.2% in February 1999. The numbers have currently declined to 13% (about 1,300 individuals). Nationally, 16% of state prison inmates have a documented mental illness. The Department believes the primary reason for the increase between 1996 and 1999 has been changes in service delivery at the county level and SB 1145 rent-backs. Over 77% of inmates have documented drug and / or alcohol problems, over 70% have severe reading and math deficiencies, and over 50% have no documented work experience. As the number of inmates grow, the Department will need additional education, training, and treatment capacity.

The 1999 Legislature directed the Department to take steps to improve the process by which it contracts with community colleges. Specifically, the Department was directed to format the contracts so they clearly identify the minimum number of inmates served; the time necessary to provide the services; and the anticipated outcomes to be achieved. As of October 2000, the Department had met with community college representatives on necessary 2001-03 biennial contract changes and received support for making significant changes to the contract formats and the manner in which services are provided.

The Correctional Programs Division adopted performance measures during 1999-01 to monitor its progress in each of its main program areas. The key areas are as follows:

- Incarceration/Transition Planning – All inmates admitted during the 2001-03 biennium will have plans and DOC will increase the number of inmates completing the plan by the time of release.
- Health Services – Maintain accreditation by complying with National Commission on Correctional Health Care Standards and to provide health care to inmates at a cost less than or equal to the cost of providing health care to indigent Oregonians covered by the Oregon Health Plan.
- Workforce Development – Course completion goals have been established for various programs (70% for adult basic literacy, 50% for GED, 50% for English as a second language, and 75% for work-based education courses). Additionally, recidivism reduction targets have been set for cognitive skills programs (20% for offenders out 18 months or more and 45% for offenders out two years or more).
- Religious Services – Measure disciplinary report rates for program participants in comparison to department averages.
- Counseling and Treatment Services – Maintain leadership ranking among western states for the “rate per 1000 inmates” of mental health crisis beds. Measure the effect of mental health programs on reducing disciplinary reports and segregation days.
- Alcohol and Drug Treatment – Measure the effect of alcohol and drug programs on reducing disciplinary reports and segregation days.
- Transition – Increase access to and usage of incarceration plan information by the Department, the Parole Board, county parole offices and county judges.
- General – Increase the percentage of Ballot Measure 17 compliance contributed by Correctional Programs; maintain the rate of major disciplinary infractions per inmate at or below 140 per 1,000 inmates per year; and demonstrate the positive impact on offender recidivism that results from participation in correctional program activities.

Governor’s Budget

The recommended budget of $108.8 million is 18.9% ($17.3 million) higher than the 1999-01 estimated expenditures and is 12.3% ($15.2 million) below the amount necessary to continue current services. The primary reasons for the increase above 1999-01 estimated expenditures are the plans to open newly constructed beds at the Women’s Prison and Intake Center and phase-in of remaining beds at the Two Rivers Correctional Institution. Significant reductions in the current service level have been made based on plans to change the manner in which correctional programs are delivered and decisions to delay the start-up and operation of 400 minimum custody beds at Lakeview and 250 beds at three expansion facilities until 2003-05. Specifically, the budget reduces General Fund by:

- $4,160,513 and two positions (7 FTE) to reduce health services at various institutions.
- $4,100,000 based on decisions to reduce educational services at some institutions.
- $2,638,200 and postpones the hiring of 38 positions (5.4 FTE) based on the assumption that start-up and operation of the 400-bed work camp in Lakeview and 250-bed expansions at three other minimum custody facilities can be delayed until 2003-05.
- $1,468,071 and reduces funds available for services and supplies.
- $971,422 and two positions (2 FTE) to eliminate mental health and alcohol/drug treatment services at TRCI.
- $588,362 and 2.03 FTE based on conversion of 160 women’s beds at EOCI back to 180 men’s beds. The women will be housed at Coffee Creek by April 2002. Workload for health services staff and medical service costs is expected to go down when male inmates occupy these beds.
- $316,990 and one position (1 FTE) to reduce religious services at various institutions.

General Fund additions to the budget include:

- $12,968,361 and $392,866 Other Funds for 84 positions (53.70 FTE) to phase-in program staff at the Coffee Creek Correctional Facility. This does not include funding for religious and health services at this facility.
- $3,964,149 to provide full biennial funding for positions and programs started at TRCI in 1999-01. Most of these expenses are for professional services contracts and medical services/supplies.
- $1,831,005 and two positions (2 FTE) to continue planning and implementation of transitional services programs. These funds will also be used to purchase data processing software/hardware and to increase access to the Inmate Incarceration/Transition Planning information system and to develop a therapeutic visitation and child development program.
- $1,590,882 and two registered nurse positions (1.64 FTE) to cover program costs related to the opening of remaining TRCI housing and disciplinary segregation units. This does not include funding for alcohol/drug treatment or mental health services. At this level of funding, inmates needing these services will need to be relocated to other institutions.
- $1,468,071 and $226,020 Other Funds for inflationary increases and DAS price list changes.
- $116,751 to cover the costs of implementing a security differential plan for employees in AFSCME.

The budget includes $1.16 million in Other Funds that is transferred from Inmate Work Programs. This is due to the shift of responsibility for workforce development from Oregon Correctional Enterprises ($1 million) and to address expanded activity in the sale of medical prosthetics to inmates ($160,000).

DOC – Inmate Work Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	8,889,192	3,845,279	0	0
Other Funds	31,508,439	12,031,089	0	0
Nonlimited	3,400,614	5,200,000	0	0
Total	**43,798,245**	**21,076,368**	**0**	**0**
Positions (FTE)	233.46	61.55	0.00	0.00

Program Description

The Department is charged with responsibility for implementing the Prisons Reform and Inmate Work Act of 1994 (Ballot Measure 17). The Act requires all inmates, with limited exceptions, to participate in work or work development training for a minimum of 40 hours per week. Based on passage of HB 2488 by the 1999 Legislature and Ballot Measure 68 (1999) by the Oregon voters, a semi-independent agency was created for the operation of work and/or training programs for inmates. The budget for the semi-independent agency (Oregon Correctional Enterprises, Inc.) is no longer under legislative or executive branch budget controls. Oregon Correctional Enterprises (OCE) is responsible for the management and operation of various industries that employ inmates. Institutions Division now has responsibility for oversight of inmate work crews. All General Fund support for the Inmate Work Program has been shifted to Institutions to fund work crew supervisor positions.

Revenue Sources and Relationships

In prior biennia, Other Funds were derived from sales of prison industry goods, services, and commodities produced by the farm. Additionally, revenue was derived from services provided to state agencies and other clients by inmate work crews.

Budget Environment and Performance Measures

This budget is driven primarily by the Oregon constitutional requirement that inmates work as hard as the taxpayers who provide for their upkeep and be involved in productive activities that develop practical skills and a viable work ethic.

Fiscal Year 1999 financial records show that overall sales of goods and services from Inside OCE were $16.4 million, with a net operating loss of approximately $273,000. The business plan for Fiscal Year 2000 projects $20.3 million in revenues with a net operating income of $1.5 million. In Fiscal Year 1999, the largest operating income-producing areas were Laundry ($1,188,375), Print ($299,181), Garment ($286,370), Woods ($274,458), Mailroom ($170,575), Furniture ($83,386), and Upholstery ($81,331). The areas with the largest operating losses were Nursery ($141,335), Metals ($124,109), Agriculture ($114,509), and Telecommunications ($93,077). During

1999-01, OCE has been responsible for 10-12% of the Department's compliance with Ballot Measure 17 by providing full-time employment to approximately 900 inmates.

Review of program revenue sources shows that OCE has made progress in reducing its dependence on governmental customers. During 1997-99, 87% of revenue was derived from governmental sources, but the projection for 1999-01 is that government sources will provide about 70 percent. Achievement of the Department's compliance plan relies heavily on its ability to increase sales to private entities and to establish more private partnerships. In the past five years, the focus has been on increasing compliance levels. In the next biennium, OCE plans to focus its efforts on streamlining industry operations; taking steps to make it easier for private employers to enter into agreements to use inmate labor, products and services; further reducing its dependency on governmental customers by developing a private-sector customer base; and working to improve inmate skills so they are better equipped to re-enter society.

The 1999 Legislature directed the Department to maintain, as a minimum, the same overall compliance levels at both medium and minimum facilities in 1999-01 as it achieved in 1997-99. Review of the compliance data shows that overall compliance levels have improved. As of June 1999, an 80% compliance level was achieved and, as of August 2000, compliance had increased to an all time high of 85 percent. Achievement of this level of compliance has been largely reliant on putting inmates to work through institutional support jobs, use of inmate work crews, use of inmate labor and products for construction and phase-in of newly constructed prisons, and by utilizing various treatment and educational training courses. Approximately five private partnerships exist, and they employ less than 200 inmates and have generated about 10% ($1.7 million) of 1999 program revenues. The 1999 Legislature also directed the Department to earnestly pursue modification of the letter of agreement with the City of Pendleton, which limits the use of inmate labor outside of the EOCI perimeter security fence. As of October 2000, the Department had met with local officials but no formal changes to the letter of agreement had been made. The 1999 Legislature directed the Department to work collaboratively with the Military Department and an interim work group of natural resource agencies to develop plans to utilize inmate labor, services, and products. During this biennium, the Department developed a 1999-01 work plan involving seven state agencies and the purchase of approximately $7.3 million in inmate labor, products, and services. Progress reports were provided to the Emergency Board and to the Interim Joint Judiciary, and efforts are currently underway to develop a similar work plan for 2001-03.

OCE has developed quantifiable indicators for assessing its overall business success and progress in meeting business goals. The key indicators are the proportion of business units that are profitable; the return on investment; customer satisfaction levels; sustainability of Ballot Measure 17 compliance levels; and the percentage of inmates involved in work types where jobs are available in private industry. It has set the following performance expectations: maintain at least 75% compliance with Ballot Measure 17; increase the number of inmate work crews that will show a net profit by increasing the number of compensated inmate hours; grow OCE net revenue by 10% each year and maintain employment of 10% of the growing inmate population; and increase the rate of employability of inmates who participate in the industries program.

Governor's Budget

The budget for inmate work programs is no longer under legislative or executive branch budget controls. All General Fund support for 29 work crew supervisor positions and Other Funds expenditure limitation for 11 additional work crew supervisors has been transferred to the Institutions program.

DOC – Central Support/Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	42,092,781	41,784,761	52,318,478	46,979,158
Other Funds	4,664,158	8,922,558	8,338,593	8,338,593
Total	**46,756,939**	**50,707,319**	**60,657,071**	**55,317,751**
Positions (FTE)	263.47	316.36	354.01	339.41

Program Description

The Central Support/Operations unit includes Business and Finance, Human Resources, and Information Systems and Services. Business and Finance provides budget management, resource management and support services for the entire Department. Components include the Office of the Assistant Director; Budget Office; Fiscal Services; and Facilities Services. Human Resources includes Personnel, Employee Development, Training, Employee Safety and Risk Management, and Payroll Services. Information Systems and Services includes: Operations and User Support, Applications Development and Maintenance, East Region Support, and Research. It is responsible for operating the offender data base and tracking system used to manage the state's prisons and community corrections; the Corrections Information System; the integrated fiscal services and prison manufacturing system; the Automated Financial and Management Information System; and automated office systems. The following table breaks the Governor's budget out by program area.

Program Area	GF	OF	Total	Positions (FTE)
Business & Finance	13,886,756	8,338,593	22,225,349	135.09
Information Systems	25,213,042		25,213,042	145.06
Human Resources	7,879,360		7,879,360	59.26
Total	46,979,158	8,338,593	55,317,751	339.41

Revenue Sources and Relationships

The $8.3 million Other Funds expended in this program is derived from the sale of certificates of participation and is used for pre-construction activities, infrastructure planning, the bid / solicitation process, design, construction supervision, and community development.

Budget Environment and Performance Measures

The October 2000 prison population forecast requires the Department to advance by one month the 1999-01 operation of five-96 bed medium custody units at Umatilla, but allows start-up and operation of 250 minimum custody expansion beds (at SFFC, SCCI, and PRCI) and 400 new minimum custody beds (at Lakeview) to be delayed until after the 2001-03 budget period. Specifically, the forecast allows the start-up and operation to be delayed at SFFC by 11 months; SCCI and Lakeview by eight months; and PRCF by five months.

A major area of growth in this division is in the Distribution Center operations. The 1997 Legislature authorized the purchase of the Waremart Distribution Center in Salem, and the Department's budget request has several new positions to purchase, receipt, warehouse, and distribute products. This facility has created operational efficiencies by allowing the Department to take advantage of economies of scale; increase purchasing power; maximize volume discounts; provide adequate space for spot purchases; and reduce institutional stockpiling of resources. After one year of operation, institution food costs have been reduced and produced the $3.2 million in savings needed to offset Distribution Center operating costs. In 2001-03, efforts will be focused on expanding services to institutions by purchase and storage of canteen items and physical plant supplies.

The Human Resources unit will continue to be challenged to manage the growth and development of the Department's workforce. During 1999-01, approximately 575 new employees were recruited, hired, or promoted and a great deal of effort was focused on recruitment of medical professionals to work in the eastern part of the state. The Department has had difficulty in attracting nurses, doctors, and dentists in the Umatilla, Pendleton, and Ontario areas. It will continue to be similarly challenged in future biennia as facilities in Lakeview and Madras areas begin operation. In 2001-03, the Department projects that it will be hiring about 432 additional employees. Since a majority will be for jobs in the Willamette Valley, recruitment challenges should not be as difficult.

Start-up of new and expanded facilities will place increased demands on Information Systems and Services to keep existing automated systems running efficiently. Existing systems serve nearly 4,000 users in 15 prison sites, 36 county parole / probation offices, and four administrative offices. Information Services will also be challenged to meet the Department's needs for three major systems upgrades; increased ability to conduct video hearings; and enhanced ability to share necessary data with other criminal justice agencies. Significant progress has been made toward the centralization of sentence calculation processes. As of October 2000, over 7,200 cases had been centralized, and full migration of all 11,300 cases is expected by the end of the 1999-01 budget period. In 2001-03, approximately 57 new Central Support / Operations positions are expected to be necessary for start-up and operation of the Coffee Creek intake / women's prison and phase-in completion at the Snake River and Two Rivers institutions.

The Department was directed by the 1999 Legislature to do the following:

- Review how information system resources have been allocated and develop a plan for resource reallocation based on overall needs. As of October 2000, the Department had identified support staff disparities at all statewide locations and had started working to develop and implement an equitable staff re-allocation plan;

a management model; a strategy for increasing technical skills of non-information systems staff; and a transition plan that minimizes disruptions to staff and meets the legitimate needs of all divisions.

- Work with the Department of Revenue (DOR) and the Judicial Department and to ensure appropriate collection of court and tax system imposed obligations from inmate trust account balances. As of October 2000, the Department had worked closely with the DOR and had turned over numerous accounts of released offenders so that collection efforts could be initiated.
- Work closely with the Oregon Youth Authority (OYA) to develop a plan to achieve cost savings and operational efficiencies by combining food purchases, storage, and distribution methods. As of November 2000, the Departments had met numerous times, exchanged product lists and prices, discussed options, and are in the process of developing proposed ways to meet operational goals, create efficiencies, and achieve cost savings. OYA provided a progress report to the Emergency Board in November 2000, which confirmed that a pilot project (involving Hillcrest and MacLaren Schools) is scheduled to start in February 2001.

The Information Systems and Services Division is monitoring performance in several key areas to reduce paper and energy consumption; increase customer satisfaction; increase system up time; reduce service calls; improve software quality; and upgrade facilities that are below network standards. The research unit is monitoring its performance by measuring its progress in increasing the ratio of automated and online management reports to manually produced management reports; meeting project completion timelines; and the timeliness of its response to data requests. The administrative staff for the Community Corrections program has established performance measures related to effective offender movement, releases, and supervision; customer satisfaction; and completion of various oversight functions within established timelines and standards. The offenders information and sentence computation unit is monitoring its performance by measuring the accuracy and completeness of sentencing calculations and through customer satisfaction surveys. The Human Resources Division is monitoring its performance in: increasing the number of people of color; increasing career advancement opportunities for minorities; achieving a workplace free of racial and gender discrimination; increasing the levels of job satisfaction; decreasing the number of per capita sick leave days; decreasing the total number of workers compensation claims; increasing the retention rate among new employees; and maintaining current performance appraisals and written measurable performance contracts with at least 98% of all management service employees.

Governor's Budget

The recommended budget of $55.3 million for this budget unit is 9% ($4.6 million) higher than the 1999-01 estimated expenditures. However, the budget is 8.8% ($5.3 million) below the amount needed to continue current service levels. Specifically, the recommended budget reduces General Fund by:

- $1.6 million to eliminate funding for software, hardware, and information system projects.
- $1,238,671 and postpones the hiring of 12 positions (2.67 FTE) based on the assumption that start-up and operation of the 400 bed minimum custody work camp in Lakeview can be delayed until 2003-05.
- $1,091,626 and 10 positions (5.08 FTE) based on the assumption that start-up and operation of the 250 expansion beds at three existing minimum facilities can be delayed until 2003-05.
- $900,986 and four positions (5.34 FTE) to reduce fiscal and human service staff as well as start-up funds for services/supplies at the new intake center and women's prison.
- $852,743 to eliminate information systems training and reduce offender information sentencing computation unit services and supplies.
- $353,199 and three positions (2.51 FTE) to reduce fiscal and human resource support.
- $292,095 to reduce services/supplies and capital outlay items.

General Fund additions to the budget included:

- $990,000 and one position (1 FTE) to complete an accounting system upgrade. Vendor support for the existing system will not be available after December 31, 2001.

DOC – Administration and Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	74,470,263	109,901,512	131,224,171	112,308,364
Other Funds	104,240,211	6,570,715	1,305,611	22,815,335
Total	**178,710,474**	**116,472,227**	**132,529,782**	**135,123,699**
Positions (FTE)	76.88	90.20	108.92	84.00

Program Description

Administration and Debt Service includes the Office of the Director, Public Affairs, Inspector General, Offender Information and Sentence Calculation (Records Management), and administrative staff for the Community Corrections Program. This unit provides overall direction and administration, oversight and investigative support, internal audits, hearings and rules coordination, and public information. The Community Corrections administration works in partnership with counties and is charged with developing standards and operating a statewide evaluation system to monitor the effectiveness of community corrections services provided under SB 1145. The Community Corrections staff also develop inter-governmental agreements with counties to provide supervision, services and sanctions to: felony offenders sentenced to probation; felony offenders on parole or post-prison supervision after completion of a prison sentence; or to felony offenders sentenced or sanctioned for incarceration periods of 12 months or less. Community Corrections staff are also responsible for interstate compact activities, development of release plans for all prisoners, and compliance inspections at 109 jail facilities located in cities and counties.

Base budget funds include amounts owed on certificates of participation (COP's) that have been issued ($100 million). The projects for which COP's have been sold include: Coffee Creek Correctional Facility; Snake River expansion; Two Rivers Correctional Institution; expansion projects at two minimum custody facilities; the 22 local construction projects for management of SB 1145 offenders; and costs related to the evaluation and purchase of seven new sites to carry out the Long-range Construction Plan.

Revenue Sources and Relationships

Administration and Debt Service are primarily supported by General Fund. Other Funds revenue from COPs sold to pay for facility construction is also used to pay for COP issuance/finance costs ($2.4 million). In 2001-03, approximately $5.7 million in telephone contract revenues will be collected and transferred from Administration to other Department budget units to fund various programs and activities. Also in 2001-03, approximately $19.1 million Other Funds from excess interest earnings and construction project management savings are expected to be available to offset General Fund needed for debt service. In 1999-01, $622,200 in Other Funds was provided for inmate release or "gate money" from the Inmate Welfare Fund.

Budget Environment and Performance Measures

The Department is in the middle of a state facility construction and expansion period that is projected to continue beyond 2005. Debt service will continue until approximately 2030. The construction and siting costs are estimated to be over $1 billion. In 2001-03, debt service payments are estimated to be $102.5 million. Approximately $97.7 million is for projects already financed or expected to be financed during 1999-01, and the remaining $4.8 million is the estimated amount needed for new projects. New projects include ongoing construction-related staff; various phases of construction of new facilities in Lakeview, Madras, Junction City and in Jackson County; construction of a 100-bed expansion at the Shutter Creek Correctional Institution; and select capital improvement projects.

As inmate population grows and facilities expand, it will increase the need for investigations, searches, work site monitoring, drug testing, internal audits, and hearings. Opportunities for contraband to get into institutions will also increase since more non-DOC staff will have contact with inmates through work crews, prison industries, public/private partnerships, and contract services. To better utilize limited Special Investigations Unit resources, more cases are being referred back to functional units for further investigation. Offender population growth and increased complexity of sentence calculations has placed greater demands on the existing system for calculating inmate release dates. The system for calculating inmate release dates is in the process of being automated. Legal services expenses for 1999-01 are estimated to be $1.9 million more than budgeted due to inmate appeals, establishment of a semi-independent agency for inmate work programs, and prison construction issues. The Department expects a similar level of effort will be necessary in 2001-03, as it continues infrastructure discussions with various local jurisdictions.

The Administration Unit has developed one outcome measure related to internal communication and three measures related to the Community Corrections program. Internal communication is to be increased and will be assessed through a biannual communication survey. The community corrections measures include the number of high-risk offenders who abscond supervision; the number of supervision cases closed with positive outcomes; and the recidivism rates of those incarcerated and supervised locally. The data show that the rate of high-risk absconds has decreased over the last four reporting periods; positive parole/post-prison supervision case closure rates continue to improve; positive probation case closure rates have improved in the last reporting period, reversing a negative trend; and parole/probation recidivism rates continue to improve. Community Corrections administrative staff is developing a report that evaluates current community corrections policies; assesses the effectiveness of local revocation options; and identifies the actual impact and cost of managing offenders.

Governor's Budget

The recommended budget is approximately 16% higher ($18.6 million) than 1999-01 estimated expenditures but only $4.8 million above the current service level. It reflects a one-time shift of excess interest earnings, roll-up costs for debt service on previously approved projects; and provides additional debt service funds to address planned construction projects. It does not contain any start-up or operating costs for the Lakeview facility or for expansion beds at three minimum custody facilities based on the assumption that these will not open until 2003-05. Specifically, the budget reduces the General Fund by:

- $19,118,136 and fund shifts this amount of debt service to Other Funds derived from excess earnings and TRCI construction project management savings. This is a one-time fund shift that will need to be reversed in 2003-05.
- $10,415,368 in debt service based on reductions and delays in 2001-03 COP sales for planned projects.
- $2,088,673 in debt service based on plans to delay 1999-01 COP sales until later in the biennium.
- $1,298,232 and eliminates 10 inspection positions (7.80 FTE) at the new intake center and women's prison.
- $1,129,313 and eliminates 8 positions (8 FTE) based on the decision to eliminate the Governor's Public Safety Advocate, three support positions, and four positions in community corrections administration.
- $983,136 and eliminates 7 positions (7 FTE) based on the decision to close the Pendleton Inspections office.
- $670,593 based on the decision to reduce services, supplies, capital outlay and special payment amounts.
- $325,045 and postpones the need for 8 positions (1.36 FTE) based on the assumption that the Lakeview 400-bed work camp will not operate until 2003-05.
- $187,985 in debt service based on a one-time fund shift to available Violent Offender/Truth-in-Sentencing grant funds.
- $169,304 and postpones the need for 4 positions (0.76 FTE) based on the assumption that the 250 minimum custody expansion beds at SCCI, PRCI, and SFFC will not operate until 2003-05.
- $136,455 in debt service based on a one-time fund shift to Other Funds revenue derived from excess earnings on COPs sold in 1999-01.

General Fund additions to the budget include:

- $2,552,824 for debt service on new projects that will be financed for the 2001-03 biennium.
- $154,159 and one position (1 FTE) to establish a correctional counselor that will provide transition and release coordination services at SRCI.
- $153,998 and one position (1 FTE) to establish a correctional counselor that will provide transition and release coordination services at the new women's prison.

The recommended budget includes $2,391,588 Other Funds for financing costs on $110,145,000 in sales of certificates of participation.

DOC – Capital Improvement

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,088,216	1,297,826	1,330,272	2,030,272
Other Funds	569,988	1,370,875	0	0
Total	**2,658,204**	**2,668,701**	**1,330,272**	**2,030,272**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

These funds are used for deferred maintenance and asset protection projects.

Revenue Sources and Relationships

The $0.6 million Other Funds available in 1997-99 were one-time funds available from miscellaneous receipts for use on high priority projects. In 1999-01, Other Funds revenue for specific projects was derived from the sale of certificates of participation ($870,875) and from the sale of inmate products and services ($500,000).

Budget Environment and Performance Measures

Facilities currently owned and operated by the Department are up to 125 years old and include approximately 3 million square feet. A 1996 consultant's review indicated the facilities have deferred maintenance needs totaling nearly $63 million, excluding architectural and engineering (A/E) fees. The consultant's report has been updated to include A/E fees, contingency funds, and inflation. The current deferred maintenance estimate is $75.5 million. In 1997-99, only $1.3 million was provided in this budget unit for capital improvement projects and another $4 million was provided in the Business and Finance Unit to address two environmental clean-up projects at existing institutions. In 1999-01, only $2.7 million total funds were provided in the Legislatively Adopted Budget for capital improvement projects; however, the Department identified an additional $2.7 million General Fund in its June 2000 Rebalance Plan that it used for repair/remodel projects at seven institutions. Continuing to defer critical projects is likely to reduce the useful life of facilities and increase future capital outlay needs. In 2001-03, the Department would like to obtain additional funds for critical projects through the sale of certificates of participation. There are no performance measures for this budget unit.

Governor's Budget

The recommended budget reflects a 23% decrease ($638,429) overall from 1999-01 estimated expenditures, but $700,000 more than necessary to continue current service levels. It provides approximately $2 million General Fund that will be used to fund priority life, health, and safety needs in the Department's existing institutions.

DOC – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	7,083,550	0	0	3,852,000
Other Funds	8,209,902	187,930,514	0	90,677,038
Total	**15,293,452**	**187,930,514**	**0**	**94,529,038**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This budget unit includes expenditure authority for acquisition or construction of any structure or group of structures; all land acquisitions; assessments; improvements or additions to an existing structure, which is to be completed within a six-year period with an aggregate cost of $500,000 or more. It also includes funding for planning of proposed capital construction projects.

Budget Environment and Performance Measures

Capital construction plans for 2001-03 are based on the Long-range Construction Plan as modified based on the October 2000 Prison Population Forecast. In 2001-03, the plan calls for work to begin on a 100-bed expansion of the Shutter Creek minimum custody facility; a 400-bed minimum-security work camp in Lakeview; two-400 bed minimum custody facilities in Madras and Junction City; and a 1,300-bed medium custody facility in Madras.

The Department has not been successful in obtaining funding to address its large backlog of deferred maintenance needs. The Department is concerned that continued facility degradation will affect its ability to securely house inmates and result in more expensive replacement costs in the future. The prioritized projects address asbestos, electrical, plumbing, environmental, fire/security, roofs, structural systems, heating/ventilation, water/sewer/drain systems, and asphalt repair/replacement issues.

In 1997-99, the Department installed an interim clean-up system to begin a long-term groundwater contamination clean-up process near Oregon State Penitentiary. The system consists of a groundwater extraction system and a treatment system. In 2001-03, the Department plans to continue operation of the system; collection of test data; and evaluation of alternatives for long-term clean up.

The 1999 Legislature directed the Department to biennially review policy decisions regarding the prison construction program to allow the Legislature to deliberately confirm or modify prior policy direction. In response to this direction, the Department has established processes for on-going review of construction program performance and plans to provide a report that summarizes activities completed, lessons learned, and policy decisions made. During the 1999-01 biennium, the Department's prison construction program was reviewed by one Secretary of State audit. The audit reviewed the Department's change order management and subcontractor bidding. The audit found that the department should: 1) improve contracting practices by clearly identifying which changes would fall under the general scope and cost of the original contract and which changes would warrant construction cost adjustments; 2) improve change order management by developing a rigorous independent process for review of all project change orders; and 3), improve the subcontractor bidding process by complying with sealed bidding requirements and thoroughly reviewing bids awarded by its contractor to protect against the possibility of preferential treatment of some bidders. The Department has developed a performance measure for this budget unit based on the expectation that newly constructed prison bed capacity is to be available when the forecast need reaches 97% of existing capacity.

Governor's Budget

The recommended budget provides $3.8 million General Fund and $90.7 million Other Funds expenditure limitation. Under the recommended budget, the Department plans to finance approximately $114.4 million in proposed projects. The projects include approximately $106 million that would be financed through the sale of COPs; $4.6 million that would be financed through the use Federal Funds provided under the Violent Offender Incarceration / Truth-in-Sentencing grant program; and $3.85 million that would be financed through the use of General Fund resources.

Capital construction expenditure authority is needed for only $94.6 million of the projects. The $90.7 million Capital Construction Other Funds expenditure limitation covers construction of a 400-bed minimum custody facility and other on-site improvements at Madras ($59 million); construction of a 400-bed minimum custody work camp at Lakeview ($27.2 million); and construction of a 100-bed expansion at Shutter Creek Correctional Institution ($4.6 million). The $3.85 million General Fund covers fire and security upgrades to convert Oregon's Women's Correctional Center to a men's facility ($1.6 million); on-going groundwater clean-up project at OSP ($1.2 million); and roof replacement at the central distribution center ($1.1 million). The remaining $19.8 million relates to projects that already have established capital construction authority or to projects where such authority is not necessary. Specifically, it corresponds with two SB 1145 county projects ($11.5 million) and construction-related operational expenses ($8.3 million). The following table summarizes projects authorized as of 1999-01 and projects proposed for 2001-03:

Projects	Number of Beds	Total COP Cost	2001-03 Debt Service
1999-01 Authorized			
Womens Prison / Intake Center (Wilsonville)	1,304	159,270,000	27,553,059
Snake River Expansion	2,348	168,450,000	25,585,388
SB 1145 Projects (18)	1,253	114,690,000	12,865,475
Two Rivers Correctional Institution (Umatilla)	1,636	104,612,000	10,765,546
Two Rivers, Coffee Creek Design, Extended Siting		44,900,000	10,300,120
Two Rivers Infrastructure, Staff, Warehouse		18,060,000	3,254,445
Siting, Design & Property Purchases		14,365,000	2,027,113
Design, Electrical Upgrades, Pre-Construction		9,085,000	1,500,111
Construction, Fiscal Management Staff		8,700,000	1,561,340
Expansion of SFC and PRCF, Lincoln SB 1145 Project	184	7,724,543	1,641,055
SB 1145 Projects - Columbia & Klamath	55	3,440,000	637,280
Sub-Total (Base Debt Service)	**6,780**	**653,296,543**	**97,690,932**
2001-03 Proposed			
Madras Men's Medium/Minimum Security Facility	400	58,958,287	2,526,055
Lakeview Men's Minimum Custody Work Camp	400	27,153,180	1,163,372
SB 1145 Projects (Multnomah #2, Clatsop)	164	11,518,260	493,498
Construction, Fiscal Management Staff		8,338,720	595,027
Shutter Creek Expansion - $4,565,571 VOI/TIS Grant	100	-	-
Capital Projects (3) - $3,852,000 General Fund		-	-
Sub-Total (Packages Construction & Debt Service)	**1,064**	**105,968,447**	**4,777,952**
Total	**7,844**	**759,264,990**	**102,468,884**

Criminal Justice Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	648,282	14,768,616	21,627,929	19,503,298
Other Funds	10,873	68,174	66,337	71,337
Federal Funds		4,037,987	4,020,788	4,020,788
Total	**659,155**	**18,874,777**	**25,715,054**	**23,595,423**
Positions (FTE)	6.00	11.26	11.50	12.50

Program Description

The Criminal Justice Commission was created in 1995. The Commission replaced its predecessor, the Criminal Justice Council. The members are appointed by the Governor, subject to confirmation by the Senate. The Commission's primary purpose is to develop and maintain a state criminal justice policy and comprehensive long-range plan for a coordinated state criminal justice system that encompasses public safety, offender accountability, crime reduction and prevention, and offender treatment and rehabilitation. The Commission is also responsible for monitoring and recommending changes to sentencing guidelines. Other duties include: the study of criminal justice issues; the collection and dissemination of related statistical information, including sentencing practices; and technical assistance to local public safety coordinating councils. HB 2229, passed during the 1997 Legislative Session, directed the Commission to produce recommendations regarding methods of assessing the effectiveness of juvenile and adult correctional programs, devices, and sanctions in reducing criminal conduct. HB 2951, also passed during the 1997 Legislative Session, directed the Commission to provide staff support for the Asset Forfeiture Oversight Committee. SB 555 (1999) directed the Commission to provide staff to the newly-created Juvenile Crime Prevention Advisory Committee (JCPAC), implement JCPAC recommendations, coordinate administrative and technical assistance of state agencies, contract with counties for juvenile crime prevention programs and services, and administer and evaluate state and federally funded grants aimed at preventing high-risk juveniles from committing or repeating crimes. The Governor's 2001-03 recommended budget for the program units under this agency is as follows:

Revenue Sources and Relationships

The agency is supported mainly by General Fund. In 1999-01, $13 million General Fund was provided for juvenile crime prevention grants to counties and $1 million General Fund was provided for the Commission to administer and evaluate the local grant programs. An additional $6 million was provided directly to the Oregon Youth Authority for enhanced basic services grants. The $13 million that was provided to CJC is being distributed to each county based on its juvenile population. As of October 2000, all 36 counties have submitted plans identifying needs in their juvenile justice systems and have developed proposals on how funds would be spent to address local crime issues. The Commission has released $8.5 million (45%) of the grant funds.

The Commission's primary Other Funds revenue ($67,158) is derived from forfeiture proceeds, which fund Asset Forfeiture Oversight Advisory Committee (AFOAC) activities and a half time support position. The law requires local agencies to contribute 2.5% and state agencies 3% of net forfeiture proceeds to be deposited into the Asset Forfeiture Oversight Account. Forfeiture proceeds are a relatively new and unstable revenue source. To address some of the revenue fluctuations, the 1999 Legislature passed HB 2937 to allow the Commission to retain revenues equal to 115% of its expenditure limitation. Passage of Ballot Measure 3 on the November 2000 Ballot creates even more uncertainty about forfeiture revenue, since it places procedural limits on forfeitures and the use of forfeiture revenue for law enforcement purposes. If forfeiture revenue declines, additional General Fund revenue may be needed to provide required functions. Passage of the measure may also create additional workload since it requires more reports to AFOAC on forfeitures conducted under the authority of local ordinances.

In 1999-01, $3.6 million in Federal Funds from the federal Office of Juvenile Justice and Delinquency Prevention were transferred to the Commission. These funds are from Formula Grant, Challenge Grant, and Delinquency Prevention programs. In 2001-03, the overall level of federal grant funding is expected to increase to $3.8 million, but the Formula Grant portion is expected to decrease. In 2001-03, the Commission is expecting to be allocated $2 million for Formula Grants; $200,000 for Challenge Grants; and $400,000 for Delinquency Prevention Grants. Pending federal legislation may alter these funding amounts. The Federal Funds from all three-grant types are used to support programs developed by state and local governments, local private agencies, and eligible tribes. The Formula Grant allows 10% of the funds to be used for planning and administration. The Delinquency Grant requires a 50% cash or in-kind match and is distributed after a request-for–proposal process. The Challenge Grants are 10% of the state's Formula Grant and targeted at gender specific programs or alternatives to incarceration.

The agency is also eligible to receive a $50,000 annual federal grant, through the Bureau of Justice Statistics, for support of its Statistical Analysis Centers. To use these funds for salaries, the Commission is required to provide an unspecified state match. Currently, a 32% salary match is covered with General Fund. No change in the level of this revenue is expected. Remaining Federal Funds ($50,000) are from the residual of a $310,162 National Institute of Justice grant provided for a two-year study on the justice system impact of Ballot Measure 11. These funds have no state match requirement. The Commission estimates it will use $260,162 of these funds during 1999-01.

Budget Environment and Performance Measures

The Commission has yet to fulfill its primary duty of developing and maintaining a state criminal justice policy and comprehensive, long-range plan for a coordinated state criminal justice system. The primary reasons are that it is a significant task and limited Commission staff have been heavily involved in sentencing guidelines monitoring/updates; analyzing sentencing law changes proposed by the Legislature or through the initiative process; administering juvenile crime prevention grants to counties; and providing staff support to the Asset Forfeiture Oversight Advisory Committee. The 1999 Legislature directed the Commission by budget note to work with other criminal justice agencies to develop a work plan for a state criminal justice policy and comprehensive long-range plan and provide progress reports to the Emergency Board and the Interim Joint Judiciary Committee. Reports provided in December 1999 and November 2000 indicate that steps have been taken toward fulfillment of the Commission's primary duty. A report will be provided to the 2001 Legislature that will identify emerging policy issues and contain recommendations to improve the criminal justice system. The Commission would like to add staff to complete this project and perform on-going policy development and planning activities.

The Commission has been working very closely with the JCPAC and counties on the development of juvenile crime prevention plans and inter-governmental agreements for distribution of grant funds. Counties have developed plans with the expectation that the $19 million grant funding level ($13-CJC and $6-OYA) approved in 1999-01 will roll-up to a $29 million ($19.85- CJC and $9.15 OYA) level in 2001-03. Based on this, most counties have delayed their 1999-01 implementation so monthly expenditures for programs and services start out at a level comparable to the level they expect to continue in subsequent biennia. In 1999-01, the JCPAC was generous in its decisions to grant waivers that allowed 24 of 36 counties to use funds provided for prevention services to be redirected to basic service areas (shelter, detention, supervision, etc.). The 1999 Legislature expected 66% of the $19 million in grant funds ($12 million) to be used for prevention services and 34% ($6 million) to be used for basic services. Based on JCPAC waiver decisions, approximately 57% ($10.8 million) went to prevention services and 43% ($8.2 million) went to basic services. In 2001-03, JCPAC has adopted a new policy that should result in fewer waivers being authorized.

The Commission has contracted with Portland State University (PSU) to provide data collection and program evaluation services. Initially, PSU made slow progress in the development of reliable, credible program effectiveness evaluation measurement tools (pre and post-tests). Once the measurement tools were developed, counties were not initially satisfied with the amount of training and assistance that PSU provided on how to use them. However, as of October 2000, steps were taken to streamline test administration so better information would be produced and PSU committed that it would (by at least March 2001) compile and analyze critical data (from a variety of sources related to risk factors, arrests, behaviors, and perceptions). This information will be used to help JCPAC in its efforts to improve program planning, delivery, and results. The information should also help the Legislature as it makes numerous budget and policy decisions.

The Commission did not provide any performance measures or workload information directly related to its planning, coordination, grant administration/evaluation, and policy development activities. It is in the process of developing measures for juvenile crime prevention and sentencing guidelines data. The Commission did, however, identify seven benchmarks that are relevant to the Commission's work. The benchmarks and the performance trends are as follows:

- Overall reported crimes per 1,000 population - up from a rate of approximately 140 in 1993 to 150 in 1997.
- Total annual juvenile arrests per 1,000 juveniles - down from 60 in 1996 to about 54 as of 1998 (this is close to 1993 levels and remains well above the benchmark rate of approximately 47).

- Percentage of offenders released from prison and convicted of a new felony within three years of release - down from a peak of 38% in 1991 to 30% in 1997.
- High school drop-out rate - down from a 7.4% peak in 1995 to 6.7% in 1997.
- Percentage of eighth grade students who use alcohol or illicit drugs – (Juvenile alcohol use is down from 30% in 1996 to 24% in 1998, which meets the benchmark. Juvenile drug use is down from 22% in 1996 to 19% in 1998, but remains at 1994 levels and is not close to the 15% benchmark. Juvenile cigarette use is also down from 22% in 1996 to 20% in 1998, but is way up from the 12% levels of 1992 and significantly higher than the 15% benchmark).
- The number of abused and/or neglected children per 1,000 juveniles - up from 10 in 1996 to 12 in 1997.

Governor's Budget

The Governor's recommended budget of $23.6 million is a $4.7 million (25%) increase over the 1999-01 estimated expenditure level. The increase is primarily due to the roll-up of juvenile crime prevention grants and an enhancement to the Commission's public safety planning resources. The recommended budget:

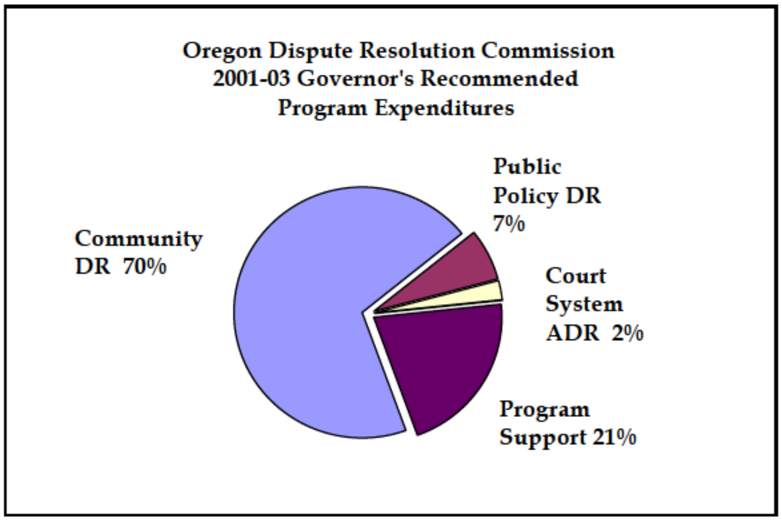
- Adds $4,210,000 General Fund to partially phase-in the Juvenile Crime Prevention Program established by the 1999 Legislature based on passage of Senate Bill 555. This represents a $2 million General Fund reduction from the roll-up amount necessary to fully phase-in the program. This amount combined with the $13 million included in the base budget will provide approximately $17 million to counties for high-risk juvenile crime prevention programs.
- Adds $141,422 General Fund to establish a permanent Planner 3 position (1 FTE) to provide staff to accomplish the Commission's primary duty, to develop and maintain a state public safety plan.
- Adds $15,375 General Fund in recognition that a one-time fund shift to Federal Funds was made by the 1999 Legislature when the Commission assumed a greater administrative role than was originally planned in a grant to study the impact of Ballot Measure 11.
- Reduces $250,000 General Fund for professional services related to evaluation of the Juvenile Crime Prevention Program. In 1999-01, $500,000 General Fund was included for this purpose.
- Reduces $12,465 General Fund based on the net effect of abolishing two positions (a vacant Grants/Coordinator and an existing Office Manager position) and creating two new positions (a Fiscal Coordinator and an Accountant Technician). The two new positions will provide additional fiscal expertise in the Juvenile Crime Prevention Program.

Dispute Resolution Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	143,651	148,311	119,284	119,284
Other Funds	1,531,439	2,116,383	1,940,762	1,940,457
Total	**1,675,090**	**2,264,694**	**2,060,046**	**2,059,741**
Positions (FTE)	4.00	4.40	4.00	4.00

Program Description

The mission of the Oregon Dispute Resolution Commission is to support the effective use of conciliation, negotiation, mediation, and other collaborative problem solving processes. The Commission is a seven-member body appointed by the Governor and confirmed by the Senate. The Commission administers three programs: Community Dispute Resolution; Public Policy Dispute Resolution; and Appropriate Dispute Resolution in the Court System.



The Community Dispute Resolution Program is 70% of expenditures. The Commission develops and maintains community dispute resolution services throughout the state and distributes funds received from a surcharge on civil court filings to support 26 community dispute resolution centers around the state. The number of new centers has increased by 73% in the last four years. These centers offer services on a range of issues, from neighborhood disputes to victim-offender mediation. The Commission works with many partners and stakeholders to ensure that the centers are operating effectively, and provides technical assistance, training and oversight.

The Court System Appropriate Dispute Resolution Program is 2% of expenditures, and encourages the development and use of alternative dispute resolution processes in civil matters. The intent of this program is to reduce reliance on costly litigation to resolve disputes. The Commission assisted the Oregon Supreme Court to develop model court rules that govern the implementation, management and operation of these services. The Commission has also adopted administrative rules governing the training and qualifications of mediators in court-connected programs. The Commission, in collaboration with the Oregon Judicial Department, is working to establish and enhance linkages between community dispute resolution programs and the courts that encourage the development and use of these alternative dispute resolution processes. The Commission uses funds received from a surcharge on civil court filings to support this program.

The Public Policy Dispute Resolution Program is 7% of expenditures, and is operated under the direction of the Governor's Dispute Resolution Steering Committee. This program is responsible for establishing an integrated and coordinated program to help state agencies and the public resolve public policy issues through the use of collaborative problem solving techniques. The goals of the program include: 1) decrease the cost of dispute resolution; 2) increase the efficient resolution of disputes and the quality of the agreements reached; and 3) increase the satisfaction of users with the processes and outcomes of these processes. The Commission works cooperatively with the Department of Justice, the Department of Administrative Services and the Governor's Office to manage the program. The Commission oversees the work of four Dispute Resolution Coordinators who serve state agency clusters in the areas of Natural Resources, General Government, Human Services, and Community Development. The General Fund finances Commission staff support to the program. Funds received from a surcharge on civil court filings are distributed through the Department of Administrative Services to support the Coordinators and agency alternative dispute resolution efforts.

Program Support and Administration is 21% of program costs. It includes staff support and services for the three program areas, rent and other administrative costs.

In 1999-01, the Commission supported a Conflict Resolution in the Schools Project, which was a collaborative effort between the Commission and the Department of Education. The Commission produced a handbook and other resource materials to assist in the development of school conflict resolution programs. The program was funded through a fund transfer from the Department of Education.

Revenue Sources and Relationships

The Commission is primarily funded through a surcharge on the court filing fees for certain civil matters. The 1997 Legislature increased fees for small claims court cases, probate fees and the existing surcharge on circuit court filing fees. Based on the current surcharge rate, approximately $2.1 million will be collected in 2001-03. Fifty percent of the filing fee revenue is reserved for grants to local counties for community dispute resolution program services. Thirty percent is available to the Commission for program management. The remaining 20% is used for the Public Policy Dispute Resolution Program to support state agency use of alternate means of dispute resolution.

Dispute Resolution Commission Revenue Totals	**1997-99 Actual**	**1999-01 Estimated**	**2001-03 Gov.'s Rec.**
Beginning Balance	584,054	821,137	611,604
General Fund	144,966	150,735	119,284
OJD Transfer - Filing Fees	1,859,854	2,000,000	2,110,000
Transfers and Other Revenue	261,885	481,700	-
School Conflict Resolution		15,000	
Public Policy DR/Transfer	(353,217)	(400,000)	(422,000)
Total	2,497,542	3,068,572	2,418,888

Within a three-year period if a county does not use the surcharge for developing a community dispute resolution center, the money can revert to ODRC. In 1999-01, $269,968 in accumulated and unspent filing fees became available for ODRC programs. Since the goal is to have dispute resolution conducted on a local basis, the money is targeted for unserved counties to develop programs and centers so they can receive services and grant funding in the future, and can also be used to assist existing centers for special projects or needs.

In 1999-01, there was an interagency agreement between the Commission and the Department of Housing and Community Services (HCSD) to provide grants to community dispute resolution centers for mediation and other dispute resolution services to manufactured dwelling parks in five counties. The Commission and HCSD have determined that it would be more cost effective to have HCSD staff administer the grant program in 2001-03. The Commission will continue to work with dispute resolution centers that provide mediation for manufactured dwelling parks, but will no longer be involved in distributing the grants.

The General Fund appropriation provides partial support for the Public Policy Dispute Resolution Program Coordinator.

Budget Environment and Performance Measures

The Community Dispute Resolution Program set several goals for the 2001-03 biennium:

- Work with Community Dispute Resolution Centers to improve programs and increase resources.
- Build capacity and improve effectiveness of the Public Policy Dispute Resolution Program.
- Enhance outreach and public awareness programs to increase the use of mediation and other conflict resolution options.
- Support the development of School Conflict Resolution Programs.

ODRC continues to collaborate with the Judicial Department in the development of an integrated statewide system of community dispute resolution centers and expanded use of court settlement conferences, mediation, and arbitration. The Commission's emphasis is on support of the Judicial Department Justice 2020 vision and implementation, and the effective integration of court related and community mediation services.

The 1997 Legislature directed the agency to reduce its dependence upon the General Fund, after court filing fees were increased to provide additional Other Funds revenues. The 1999 Legislature shifted all services and supplies expenditures from the General Fund to Other Funds. The Department of Education is providing $15,000 to assist with Commission efforts to improve conflict resolution strategies for schools. The 1999 Legislature also directed the Commission to document the number and types of cases encountered in the public policy program; how the cases were resolved; the timelines of the cases from inception to resolution; and the estimated savings of mediating the cases versus having them resolved by litigation. This information is to be provided to the Joint Committee on Ways and Means during the next regular session.

The Commission, with funding from the National Association for Community Mediation, successfully implemented a statewide case management and data tracking system and is assisting centers to establish and monitor outcome data. This includes a uniform reporting format and electronic transfer of data to the Commission.

The Commission has established a number of performance measures, but has not yet established targets or compiled performance data. Measures include:

- Community dispute resolution services are available around the state. This is an indicator of the efforts of the Commission to support community dispute resolution programs. This is measured by compiling data on the number of counties not served. Currently there are 14 unserved counties. The target for FY 2001-02 is to decrease the number of counties not served by four.
- Community Dispute Resolution Centers (CDRC) are involved in small claims and FED court mediation programs. This is an indicator of the Court System Alternative Dispute Resolution efforts of the Commission. This is measured by compiling data on the number of community dispute resolution centers involved in small claims and FED mediation. Currently there are 8 centers doing this work. The target for FY 2001-02 is to have 10 centers doing this work.
- Parties involved in public policy alternative dispute resolution are satisfied with the process. This is an indicator of the public policy dispute resolution efforts of the Commission and state government teams. Baseline data is currently being compiled. The target for FY 2001-02 is to have an 80% satisfaction rate.

Governor’s Budget

The Governor’s Budget funds the Commission at the current service level. The budget is a reduction of $29,027 from 1999-01 General Fund expenditures and a reduction of $175,926 from 1999-01 Other Funds expenditures.

- The Governor’s budget did not fund a policy package request of $17,167 General Fund for current service level cost for the Dispute Resolution Program Administrator position. This position was vacant at the time of the PICS freeze, and was funded at step 2. However, the incumbent will be at step 5 by the end of the 2001-03 biennium. ODRC could reduce FTE to pay this cost, which will impact the delivery of program services, or could use reverted funds or other savings.
- The recommended budget includes permanent financing for the Executive Support Specialist ($7,556) and Project Coordinator ($12,139) out of funds previously allocated for Professional Services. Total Other Funds are reduced by $305.

The 1999-01 School Conflict Resolution Project was funded with a one-time grant from the Department of Education. The Governor’s Budget does not continue funding for this Project.

District Attorneys and Their Deputies (DAs) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	8,268,142	9,440,187	9,577,366	9,577,366
Total	**8,268,142**	**9,440,187**	**9,577,366**	**9,577,366**
Positions (FTE)	36.00	36.00	36.00	36.00

District attorneys, while elected locally, are state officers. District attorneys and their deputies prosecute state criminal offenses committed by juveniles and adults. In addition to criminal prosecution, district attorney legal duties include enforcement of child support obligations in non-welfare cases, prosecuting civil forfeitures, presenting evidence at mental hearings, ruling on public records requests, assisting juvenile courts, and advising and representing county officers. District attorneys also are active in local public safety coordinating councils, child abuse prevention teams, and community outreach activities.

DAs – District Attorney Salaries and Benefits

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	5,847,457	6,418,928	6,686,306	6,686,306
Total	**5,847,457**	**6,418,928**	**6,686,306**	**6,686,306**
Positions (FTE)	36.00	36.00	36.00	36.00

Program Description

As state officers, the salaries and benefits of the 36 elected district attorneys are paid by the state through a General Fund appropriation. The salary plan has four categories with various amounts that recognize the difference in the size of counties. The salary amounts are based on a plan developed and adopted by the Department of Administrative Services that includes salary adjustments awarded other management service employees.

Revenue Sources and Relationships

The state's support of DA salaries and benefits comes entirely from the General Fund; however, a majority of counties (26 of 36) provide an annual supplement to the salary paid by the state. The average 1999 annual salary supplement was $13,145. Recently compiled county DA office survey data shows that state funds cover between 2% (Multnomah) and 70% (Wheeler) of county prosecution budgets. Overall, counties fund 82% of the total expenses of the offices of district attorneys; the state funds 9%; and other sources provide the remaining 9 percent.

Budget Environment and Performance Measures

In SB 5510, the 1999 Legislative Assembly directed the District Attorneys and the Department of Administrative Services to review the compensation schedule and groupings to determine whether it would be appropriate to update or otherwise modify them. The findings were reported to the Emergency Board in December 1999, and $359,022 was requested for two-4.125% annual increases. No salary grouping changes were requested. The Emergency Board appropriated $287,268 General Fund for district attorney salary increases. This amount and the distribution from statewide employee compensation funds provided one 4% salary increase on January 1, 2000 in addition to the 2% cost of living increases that had been approved for state management service personnel.

Under the current salary plan, the district attorneys in the five largest counties are receiving state-funded salaries of approximately $86,100, which is slightly above the salary of circuit court judges. In reviewing data from a comparison of Oregon DA salaries with those from four neighboring states, it is clear that, excluding Oregon's three part-time prosecutors, the low end of Oregon's compensation is higher than every state of comparable size and about the same as the State of California. At the high end, only Idaho pays a lower salary than Oregon. The highest salaries paid by California, Washington and Nevada all exceed $100,000.

Between 1998 and 1999, Oregon's criminal arrests decreased by 11.5% (130,728 to 115,692). Adult arrests decreased by 10.4%, and juvenile arrests decreased by 14.7 percent. Between 1998 and 1999, the Judicial Department criminal case filings also decreased 3.8% (104,266 to 100,303).

The following table shows how case filings have changed in the last four calendar years.

Filings	1996	1997	1998	1999
Misdemeanor	64,384	65,332	64,677	62,833
Felony	30,797	33,719	39,589	37,470
Totals	**95,181**	**99,051**	**104,266**	**100,303**

The statistics indicate that between 1996 and 1998 overall case filings grew from 95,181 to 104,266 (by 9%). In 1999, Misdemeanor case filings were 2.4% below 1996 levels, but 1999 felony case filings were nearly 22% higher than those experienced in 1996. The statistics confirm that felony case filings represent a larger portion of the workload. In 1999, felony case filings made up nearly 60% (37,470 of 100,403) of all criminal filings, whereas, in 1996, felony case filings made up only 32% (30,797 of 95,181).

Demographic data shows that Oregon's criminally "at-risk" population is continuing to grow at a steady rate. In 1995, it totaled 565,000; it is now about 578,000; and by 2005, it is projected to grow to nearly 595,000. Employment data shows that the number of state and local police officers grew 3% (from 5,097 to 5,270) between 1996 and 1998. At this same growth rate, there will be about 5,428 officers by the end of 2000.

Criminologists and practitioners speculate that the arrest rate drop could be due to numerous factors, including economic growth; increased incarceration rates; incapacitation (criminals behind bars are unable to commit more crimes); increased detention, jail, and prison capacities; a slowdown in gang-related activities; deterrent effect of longer sentences; decreased opportunities to commit crime due to increased police presence; increased public awareness and use of safety measures; and increased effectiveness of community-based treatment and supervision.

District Attorney workloads are determined, in large part, by the number, complexity, and type of criminal arrests that occur. However, a significant part of the DA workload is not linked to arrests, rather is relates to various pre-arrest activities and improvements in the quality of cases developed by police for prosecution. DAs estimate that as much as one-third of the regular statewide workload corresponds to pre-arrest case reviews, where DAs and deputies asked to assess the sufficiency of evidence collected and provide advice on the need for additional investigation, search warrants, or involvement of task force experts. Additionally, as police training and forensic analysis have improved, the number of "no action" cases have been reduced. As such, a higher percentage of cases are prosecutable and arrest reductions have not translated directly into workload decreases.

The amount of time spent on cases, the quantity of cases prosecuted, and methods used vary from county to county depending on available resources and local judicial practices. In general, when reported crimes and arrests are higher, offices must prioritize cases; rely heavier on plea bargaining negotiations, alternative dispositions (deferred sentencing and reduction of certain felonies and misdemeanors to violations) to reduce trials; limit the amount of time spent in preparation and prosecution; and the case clearance rates tend to go down. When reported crimes and arrests are lower, offices are generally able to prosecute a higher percentage of cases; spend more time in preparation and prosecution; and case clearance rates tend to go up.

Historically, the number of criminal arrests has been greatly influenced by the levels of police staffing; the manner in which police resources focus their enforcement efforts; and the size of the criminally "at risk" population (males-ages 15 to 39). However, recent data show that despite increases in the number of police officers and growth in the at risk population, Oregon's arrests went down. It is important to note that even with recent reductions in arrests, a survey of district attorney offices conducted between March and July 2000 indicates current resource limitations are requiring numerous counties to continue to develop caseload control guidelines and continue to rely heavily on alternative dispositions.

Governor's Budget

The Governor's recommended budget continues the state's payment for district attorney salaries and benefits at the current service level.

DAs – Deputy Supplements

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,806,720	1,557,311	1,903,744	1,903,744
Total	**1,806,720**	**1,557,311**	**1,903,744**	**1,903,744**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

In addition to paying part of the district attorneys' salaries and benefits, the state provides special payments to counties to defray the cost of deputy district attorneys. There are approximately 300 deputy district attorneys serving Oregon with the same duties as the elected district attorney. On average, a prosecutor handles an estimated 800 to 1,000 misdemeanors or 200 to 300 felony cases per year. Counties pay most of the deputies' salaries. The state funds for deputy DAs are distributed as follows: $458 per deputy per month for the first three deputies, plus the balance on the ratio of the number of deputies per county to total deputies (approximately 300). Each quarter, counties are required to certify their staffing levels. This formula protects smaller counties from significant funding changes and leaves larger counties with more funding level variations and a greater reliance on supplemental county funding.

Revenue Sources and Relationships

The major portion of deputy salaries is paid by the county and, therefore, not reflected in the state budget. The state's appropriation comes from the General Fund.

Budget Environment and Performance Measures

Over the last 10 years, the state supplement for deputy salaries has decreased approximately 40 percent. During that same 10-year period, the number of deputies increased by nearly 50%, causing counties to provide more and more support for state criminal prosecutions. If additional funding were available, the number of deputy DAs would probably increase to meet workload. However, this would also affect the court system, jails, prisons, and community supervision.

Between March and July 2000, a survey was jointly conducted by the Department of Justice, the District Attorney's Association, and the Association of Oregon Counties. Twenty-nine of 36 counties participated in the survey. Deschutes County (with the sixth largest prosecution budget) and six eastern Oregon counties (ranked 22nd to 35th based on the size of their prosecution budgets) did not provide survey responses. The survey highlighted existing DA resource needs and also identified how each county would use any additional state funds. The DAs offices identified 18 different resource need categories. The five most frequently identified need categories in 29 DAs offices were as follows: additional deputy DAs / professional staff (22 counties); additional ability to prosecute (versus plea bargaining) less serious crimes (21 counties); additional support staff (18 counties); additional investigators (13 counties); and additional police and staff training (11 counties). The counties also identified 18 different priorities for use of additional funds. The five most frequently identified county uses for additional state funds were as follows: additional jail space / staffing (15 counties); additional juvenile corrections funding (14 counties); address general county program cuts and hiring freezes (12 counties); additional DA office staff (10 counties); and additional sheriff deputies (9 counties). In four of these five categories, additional funds would go toward county program areas outside of the DAs' offices. Based on the survey results, the DAs Association and the Association of Oregon Counties would like the state to pay more of the prosecution costs and provide additional funds to counties so other locally funded programs can be enhanced. These organizations assert that this is necessary due to the declining percentage of state funding support for DAs offices that has occurred over time and county revenue limitations (due to declining national forest receipts, reductions in Oregon and California federal receipts, and property tax reductions through Ballot Measures 5 and 50).

Governor's Budget

The Governor's recommended budget continues the state's supplement for deputy district attorneys at the current service level.

DAs – Prosecution Witness Fees

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	554,366	569,888	584,135	584,135
Total	**554,366**	**569,888**	**584,135**	**584,135**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This is a partial reimbursement of statutorily mandated witness fee costs for trials and grand jury hearings in criminal cases. These funds have been distributed as follows: $990.50 per county, per year, plus the balance on the ratio of deputy DAs per county to total deputies. The counties are required by statute to pay witnesses $5 per day and mileage at eight cents per mile.

Revenue Sources and Relationships

The state's contribution is entirely General Fund. Counties, with county resources, however, pay the majority of these costs.

Budget Environment and Performance Measures

This appropriation also provides partial reimbursement of actual witness fees for trials and grand jury hearings in criminal cases. The amount of the state's reimbursement is less than half the total cost. The counties pay the difference between the state's reimbursement and the total cost of witness fees. Counties that have difficulty making up the difference may consider other steps, which primarily rely on reducing the number of witnesses testifying at trials.

Governor's Budget

The Governor's recommended budget continues prosecution witness fees at the current service level.

DAs – Administrative Expense

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	59,599	594,060	403,181	403,181
Total	**59,599**	**594,060**	**403,181**	**403,181**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Administrative expenses include mandated central service costs such as tort liability insurance to cover all DAs and their staff, assessments for audits, state library, and Department of Administrative Services Service Charges. The remaining funds pay for the purchase of one copy of Appellate court legal opinions and advance sheets for each District Attorney Office. The Department of Justice provides, at no charge, administrative and accounting services. 1997-99 Administrative Expenses were very low since there were no risk liability assessments.

Governor's Budget

The Governor's recommended budget continues administrative expenses at the current service level.

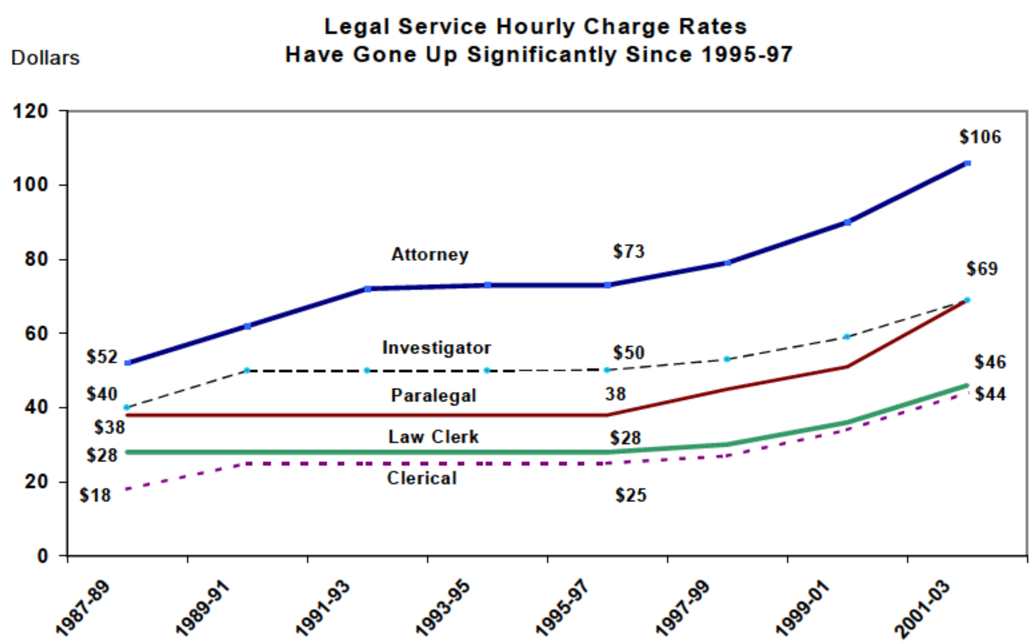
Department of Justice (DOJ) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	11,186,425	13,215,831	15,312,251	18,772,622
Other Funds	120,986,617	157,818,625	164,603,762	173,682,455
Federal Funds	6,211,049	9,419,870	8,590,166	12,703,167
Nonlimited	3,671,791	6,387,336	5,160,000	5,160,000
Total	**142,055,882**	**186,841,662**	**193,666,179**	**210,318,244**
Positions (FTE)	1041.86	1130.53	1,107.53	1,172.78

The Department of Justice 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. The Department is in charge of all the state's legal business that requires an attorney or legal counsel, and is further responsible for a number of programs including child support enforcement, district attorney assistance, crime victims' compensation, charitable activity enforcement, and consumer protection services.
The Department includes the Office of the Attorney General (Administration) and six operational divisions; these are the Appellate, Civil Enforcement, Criminal Justice, General Counsel, Child Support, and Trial Divisions.

Revenue Sources and Relationships

The Department of Justice receives General Fund, Other Funds, and Federal Funds. Other Funds make up the majority of the Department's revenue (85%), half of which comes from hourly rates the Department charges state agencies for legal advice, litigation, and other services. The hourly rates charged are determined by the actual cost of providing legal services, plus the cost of providing several other services (Criminal Appeals, District Attorney Assistance/Organized Crime, and Ballot Title Drafting/Defense) that are only partially supported by the General Fund. During the last several budget periods, hourly rates have had to cover program costs not fully supported by the General Fund. This biennium, the Governor is proposing a $16 per hour (from $90 to $106) 18% increase for attorneys; a $10 per hour (from $59 to $69) 17% increase for investigators; an $18 per hour (from $51 to $69) 35% increase for paralegals; a $10 per hour (from $36 to $46) 28% increase for law clerks; and a $10 per hour (from $34 to $44) 29% increase for clerical support. Below is a table showing how the rates have changed and are proposed to change in 2001-03.



The other portion of the Department's Other Funds revenue comes from several sources:

- Adult and Family Services Division of the Department of Human Services for child support enforcement ($79.7 million).

- Unitary assessment revenue for crime victims' compensation ($7.9 million).
- Fees charged to charitable and non-profit organizations for registration and filing financial reports ($3.9 million).
- The Consumer Protection and Education Revolving Fund from Assurances of Voluntary Compliance ($2.6 million).
- The Western States Information Network grant funds passed through California by the federal government ($617,000).
- Miscellaneous revenues from civil penalties, restitution, subrogation, publications, and training provided by the Department ($2.4 million).

The General Fund appropriation, which makes up about 9% of total revenue, partially funds legal services in programs where there is no state agency to bill. These services include representing the state in criminal and capital appeals, drafting and defending ballot titles, and corrections litigation. District Attorney Assistance, Organized Crime and Criminal Intelligence, Consumer Protection, and Medicaid Fraud are also activities partially supported by the General Fund. These services are provided by Trial, Appellate, Civil Enforcement, and Criminal Justice Divisions. Because the General Fund does not cover the full cost of legal services, state agencies have subsidized them through the fees they pay the Department.
Federal Funds comprise approximately 6% of the Department's total budget, and they partially support two programs – Medicaid Fraud, administered by the Civil Enforcement Division, and the Crime Victims' Compensation Program in the Criminal Justice Division.

A description of each DOJ program unit and the Governor's recommended budget follows.

DOJ – Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	8,027,815	9,871,667	10,672,050	13,269,936
Total	**8,027,815**	**9,871,667**	**10,672,050**	**13,269,936**
Positions (FTE)	64.48	72.22	71.72	83.72

Program Description

Administration includes the Office of the Attorney General and Administrative Services. The Office of the Attorney General, which includes the executive management of the Department, sets direction and policy for the Department. Administrative Services provides centralized operational support services for the entire Department and includes Fiscal Services, Information Services, (Facility) Operations, and Human Resources.

Budget Environment and Performance Measures

The Department as a whole has experienced considerable growth since the 1995-97 biennium. This trend continued in the 1999-01 biennium with the addition of 87.17 FTE. The growth in legal services has increased the demands for fiscal services staff to process and manage legal billings and has increased the need for staff to collect amounts due the agency in a timely manner; information services staff to provide full technology support to over 1,100 employees; operations staff providing facilities, purchasing, moving, and mail services at 23 locations around the state; and human resource staff that provide recruitment, classification, and training services. The growth and complexity of revenue to the Crime Victims' Program has required an increased level of fiscal oversight to ensure compliance with federal accounting and reporting requirements. The allocation of budget management to program managers has increased the need for more complex budget information and reports to program managers. The Department needs to replace its current network operating system since it is not fully compatible with enterprise networking or sharing of information with other agencies. It also has identified over 200 obsolete desktop PCs that it would like to replace during the next budget period that are not working efficiently. The number of help desk calls received by information services staff has increased by 84% in the last three fiscal years. Specifically, calls increased from approximately 3,800 in 1997 to approximately 7,000 in 1999.

The Administration program area is beginning to monitor its performance by collecting workload information in three key areas. It plans to track the fiscal program's success in collecting accounts receivable within 30 days of invoicing; the information services help desk's success in resolving questions or problems after the first call; and the timeliness of human resources staff responses to recruitment requests.

Governor's Budget

The Governor's recommended budget of $13.3 million proposes an increase of 34% above 1999-01 expenditures. The budget for this section includes program packages that add 12 FTE and more than $3.4 million to provide additional help in budget support, accounts receivable and cash management, accounting and contracting functions, and personnel. These program options also provide resources for information systems support including maintenance of existing database systems, development of a comprehensive data warehouse, work to overhaul the Department's network, and expand use of the Internet and Intranet. Specifically, the budget:

- Adds $1,411,102 Other Funds and establishes three information specialists and one management analyst position (4 FTE) to modernize the Department's outdated information systems technology.
- Adds $877,259 Other Funds to establish five permanent assistant Attorney General positions (5 FTE) for the Honors Attorney program and two permanent administrative positions (2 FTE) that will provide support to the Child Support Accounting Unit.
- Adds $334,005 Other Funds to add two accounting technician positions and a fiscal coordinator position (3 FTE) to meet increasing needs in budget, accounting, and fiscal analysis in special programs.
- Reduces $24,480 Other Funds; transfers two office specialist positions (2 FTE) from the DOJ's copy center to the Department of Administrative Services; and allows DOJ to purchase printing services.

DOJ – Appellate Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	6,436,928	7,966,434	8,765,463	8,798,873
Total	**6,436,928**	**7,966,434**	**8,765,463**	**8,798,873**
Positions (FTE)	39.00	49.50	51.00	51.00

Program Description

The Appellate Division represents the state in all cases that are appealed to state and federal appellate courts in which the state is a party or has a significant interest. Attorneys in this Division spend the majority of their time preparing briefs and arguing appeals in criminal, civil, and administrative cases in which the parties disagree with the trial court results. 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. Attorneys in this Division also must prepare and defend ballot titles.

Revenue Sources and Relationships

Although the Division's budget is totally supported with Other Funds, the principal source of funds to pay the billing is the General Fund appropriation for criminal appeals. This appropriation, however, is insufficient to cover the total cost of these appeals. Any shortfall in funding is covered by Other Funds resources from hourly rates paid by state agencies for legal services and advice. The 1997-99 legislatively adopted budget relied upon $600,000 Other Funds to assist with a $1.5 million General Fund shortage and the 1999-01 legislatively adopted budget also relied upon approximately $600,000 Other Funds to assist with a $1.9 million General Fund shortage. The shortfall for criminal appeals is projected to be an additional $2 million in the 2001-03 biennium. The cumulative shortfall of $5.4 million translates into approximately $8 per hour of the amount charged to state agencies for services provided.

Revenue for all other appeals, which are civil or administrative appeals, is Other Funds that are generated from the hourly fees billed to the state agencies involved in the appeals.

Budget Environment and Performance Measures

Since the Department is usually responding to appeals filed by others, it has little or no control over its workload. During 1998, 1999 and the first half of 2000, the State briefed and argued 1,900 criminal cases that defendants had appealed. Criminal appeals are expected to increase in the 2001-03 biennium. The increase in appeals is driven by projected increases in the prison population, longer mandatory sentences imposed under Ballot Measure 11 and HB 3488 (chronic property offender legislation), and more challenges to decisions made by the Board of Parole and Post Prison Supervision. Death penalty cases are automatically appealed. The criminal caseload complexity has also increased significantly based on the size of briefs, number of legal cites by all parties, and the assignments of error. The complexity increases are requiring attorneys to spend more time per case, which increases costs. While the Department receives few death penalty appeals during each biennium, these cases are always very complex and time consuming. This Division also experiences greater workload demands because the number of ballot measures continues to increase. More ballot initiatives generate more complaints about ballot titles that the Department must defend. Since there is no client agency to bill for ballot title work, the Department has absorbed this workload in its budget, which means this activity, too, is being subsidized by revenue from state agency billings.

The Appellate program area is beginning to collect workload information to monitor its performance and to measure the complexity of cases being briefed. The information being collected will enable the Department to identify the factors that influence the amount of time needed for each case; break cases into various case types (criminal, civil, and administrative); and track the percentage of cases where the state's legal position was adopted by the appellate courts. The Division is also in the process of developing a survey instrument to identify the primary concerns of it customers; identify ways to improve its processes and better meet needs; and collect information that can be used to measure the appellate program's effectiveness.

Governor's Budget

The Governor's recommended budget of $8.8 million Other Funds maintains services at the current service level, which includes adjustments for inflation and increased state government service charges. The budget also adds $33,410 Other Funds to reclassify an existing senior attorney position to create an Attorney-in-Charge position.

DOJ – Civil Enforcement

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,555,001	678,521	2,019,628	2,019,628
Other Funds	17,104,922	18,831,906	16,888,470	18,417,463
Federal Funds	760,891	900,988	868,083	1,061,050
Total	**19,420,814**	**20,411,415**	**19,776,181**	**21,498,141**
Positions (FTE)	107.38	115.67	117.17	127.67

Program Description

The Civil Enforcement Division represents the state in civil cases and also enforces certain criminal laws. This Division includes five sections:

- The ***Family Law*** section represents the Division of Child Support (DCS) in judicial proceedings to establish paternity and child support orders. This section also represents the Legal Assistance Program of the State Office for Services to Children and Families (SCF) in termination of parental rights cases. It also provides general counsel advice to both DCS and SCF.
- The ***Civil Recovery*** section prosecutes plaintiff's civil litigation on behalf of any agency with a tort, contract, statutory or other claim to recover money or property. It also represents agencies in bankruptcy proceedings and in post-judgment collections.
- The ***Medicaid Fraud*** section investigates and prosecutes billing fraud by Medicaid providers and physical or financial abuse or neglect of residents in Medicaid-funded and other qualifying long-term care facilities. It has historically devoted significant resources to educating providers in order to reduce innocent billing errors.
- The ***Financial Fraud/Consumer Protection*** section educates consumers to better protect themselves against marketplace fraud and abuse. It also educates businesses and encourages voluntary compliance with the state's Unlawful Trade Practices Act and telemarketing laws. It also prosecutes violations of these and antitrust laws, seeking restitution, attorney fees, and penalities for injured consumers and state agencies to deter future wrongdoing.
- The ***Charitable Activities*** section supervises and regulates the activities of charitable and, to some degree, other nonprofit organizations and enforces laws related to charitable trusts, charitable solicitations, and nonprofit gaming.

Revenue Sources and Relationships

Revenue to support the Family Law and Civil Recovery sections comes from billings to the state agencies involved. Federal Funds provide 75% of the resources for the Medicaid Fraud section, to a maximum of 1% of the annual state Medicaid budget (approximately $13 million). The federal government has allowed the Department to use funds recovered from earlier investigations and prosecutions in lieu of the 25% General Fund match. Changes in federal policy, however, will make this more unlikely in the future. Financial

Fraud / Consumer Protection section services are funded by both the General Fund and Other Funds, including funds in the Consumer Protection and Education Revolving Account paid by companies and organizations that sign assurances of voluntary compliance for violations of consumer protection laws. Other Funds also include annual fees paid by gaming registrants or licensees. Fees charged to charitable and non-profit organizations for registration and filing financial reports provides funding for the Charitable Activities section.

Budget Environment and Performance Measures

The Medicaid Fraud section continues to pursue fraud and patient mistreatment vigorously. The increasing numbers of senior citizens in long-term care facilities, a federal expansion of the section's jurisdiction, and the increasing sophistication seen in health care fraud schemes have substantially increased the workload and have required the section to turn away the least severe cases. Oregon has one of the smallest Medicaid Fraud sections in the nation, and it is being challenged by increases in case referrals. During the first six months of 2000, the number of cases referred rose 57% over 1999 cases. In response to the increased workload experienced in the first 12 months of 1999-01, the section has reduced training activities, delayed work on 25 open cases, and rejected another 50 referrals. While additional Federal Funds are available to fund 75% of the unit's operation, the lack of General Fund resources for the 25% state's share is limiting the Department's efforts to add more staff and pursue more cases.

The Financial Fraud / Consumer Protection section anticipates a steady increase in its workload, especially in the growing field of Internet fraud. Consumer hotline calls increased by 59% in 1999; written complaints increased by 45%; and Internet-related complaints increased over 100 percent. The number of charitable organizations has increased by over 10% in the last two years. These workload increases are taxing existing personnel resources. The 1999 Legislature reduced $1,077,924 General Fund from the Department's Financial Fraud / Consumer Protection Program based on expected one-time reimbursement in the tobacco settlement. This amount has been restored in the Department's 2001-03 current service level.

The Family Law section expects to experience some additional workload caused by the federal requirement which imposes rapid timelines that speed the process for placement of children in permanent homes. The State Office of Services to Children and Families is projecting that parental terminations will increase by 440 in 2001-03. The Family Law section will handle approximately 76% of this increase (334 cases). This represents a 40% increase from 1999-01 terminations and may require additional legal, paralegal, and support staff.

The Civil Recovery section has opened approximately 2,200 cases in each of the last two biennia, and an estimated 1,800 will open during 1999-01. While the number of open cases is expected to be down, the average amount collected per case is expected to be up 25% (from $10,200 to $12,755). The Department believes the cases are becoming more complex, requiring more attorney and staff time.

The Civil Enforcement Division is monitoring its performance by collecting data in three key program areas. The Medicaid Fraud program is tracking the number of indicted cases that result in criminal convictions and is also collecting information that can be used to assess staffing needs. The Civil Recovery program is tracking the amount of recoveries per attorney FTE to measure the state's return on its investment of attorney time. The Charitable Activities program is tracking the number of fundraiser, charities, and gaming licensees to assess workload impact. Overall, the Division is focused on making the most effective use of its limited resources. It is tracking the amount of time spent on non-billing activities; identifying ways to improve processes; and taking steps that will enable billing staff to spend more of their time providing legal services.

Governor's Budget

The Governor's recommended budget of $21.5 million is 5% ($1.1 million) higher than the 1999-01 estimated expenditures. It provides resources at the current service level adjusted for inflation and other increased costs. It also includes four option packages that add 11 positions. Specifically, the budget:

- Restores $1,310,566 General Fund to the Consumer Protection / Financial Fraud program from Other Funds as a result of a temporary reduction of General Fund in 1999-01 to accommodate the use of tobacco settlement reimbursement funds.
- Adds $452,978 Other Funds, one attorney and two paralegal positions (3 FTE) to meet a workload increase generated from additional termination of parental rights cases.
- Adds $439,750 Other Funds to cover the cost of law clerks that are hired as temporary employees to help reduce the billings to agencies.
- Adds $568,221 Other Funds and six support positions (6 FTE) to meet workload needs in Financial Fraud (1), Consumer Protection (4), and Charitable Activities (1).

- Adds $68,044 Other Funds and $192,967 Federal Funds to establish an attorney and office specialist position (1.50 FTE) to handle workload increases in the Medicaid Fraud program.

DOJ – Criminal Justice

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	5,023,835	5,664,077	6,614,597	6,614,597
Other Funds	6,083,152	7,649,552	7,437,712	8,610,713
Federal Funds	5,450,158	8,518,882	7,722,083	11,642,117
Nonlimited	3,671,791	6,387,336	5,160,000	5,160,000
Total	**20,228,936**	**28,219,847**	**26,934,392**	**32,027,427**
Positions (FTE)	53.88	67.96	58.88	70.88

Program Description

The Criminal Justice Division provides investigative and prosecutorial assistance to state agencies and Oregon's 36 district attorneys through publications, training, and direct assistance on specific cases. This Division also investigates and prosecutes criminal violations of the state elections laws for the Secretary of State; provides general counsel support to the Department of Public Safety Standards and Training (DPSST) on contested case hearings involving officer certifications; and coordinates Oregon's role in the Western States Information Network, a federally funded narcotics information network among five western states. The Division is organized into three sections: District Attorney Assistance, Organized Crime, and Crime Victims' Assistance. The ***District Attorney Assistance*** section assists district attorneys and their deputies 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. The primary purpose of the ***Organized Crime*** section is to detect and combat organized criminal activities in the state. The section also investigates allegations of corruption or malfeasance by public officials in Oregon and, where needed, assists with legal action. Since June 1999, three Oregon counties have been designated by the federal government as a High Intensity Drug Trafficking Area (HIDTA). Federal Funds are supporting local enforcement efforts and an Investigative Support Center has been integrated with DOJ's Criminal Intelligence Unit. The ***Crime Victims' Assistance*** section is responsible for administering the Crime Victims' Compensation program and the federal Victims of Crime Act grant program. The Crime Victims' Compensation program was created to provide assistance to innocent victims who sustain injuries resulting from criminal activity. This section certifies local assistance programs so they can provide assistance locally. The Victims of Crime Act is a federal grant program that provides funds to states for victims' assistance. The 1999 Legislature created the Interim Construction Fraud Evaluation Unit (ICFEU) to evaluate the nature and extent of criminal activity in the construction industry. The ICFEU will provide the 2001 Legislature a report with statutory, policy, and budget recommendations.

Revenue Sources and Relationships

District Attorneys' Assistance and the Criminal Intelligence sections are set up to be funded entirely by the General Fund while the Crime Victims' Compensation program is supported by revenue from the Unitary Assessment ($4 million), punitive damages and restitution, federal Victims of Crime Act (VOCA) grant funds ($623,000), and federal Victim Assistance Awards ($4.6 million). The VOCA grant is 40% of the state's previous year payments in compensation benefits. Both of the federal grants are derived from penalty assessments levied against offenders in the federal court system.

Oregon also receives Other Funds from various sources. The Division receives funds from a contract with the California Department of Justice, which administers the federal grant supporting the Western States Information Network. Other Funds ($583,480) are provided through an agreement with the Oregon State Police to support the efforts of the federally-designated High Intensity Drug Trafficking Area program. The Construction Contractors Board provides $339,200 Other Funds in support of various enforcement activities. The services provided to the Secretary of State and DPSST are billed to those agencies.

Budget Environment and Performance Measures

The number of applications for crime victim benefits continues to increase. It now receives an average of 305 new applications per month. This represents a 41% increase over 1997-99 levels. The number of agencies and program grants that DOJ must monitor is also increasing. In spite of workload increases, the Crime Victims' Compensation section has been able to reduce the backlog of cases; the months required to process applications;

and increase the amounts of restitution, subrogation, and punitive damage collections. Specifically, the backlog of cases was reduced from 1,656 to 192; the percent of claims processed within 90 days went up from 35 to 90; and the average monthly collections increased from $32,846 to $60,842. The program improvements were possible because a new case management system was implemented and the 1999 Legislature approved several new positions. Increases in the number of small nonprofit organizations receiving grants has stretched the section's ability to provide technical assistance, financial oversight, and provide required federal reports.

The ICFEU provided a progress report to the Emergency Board in June 2000. The report indicated that progress had been slowed by several factors and that the study was incomplete. However, the Department also indicated that proposals were being developed that would strengthen enforcement laws and continue operation of a specialized investigation unit.

The number of cases handled and the time devoted by the District Attorney Assistance / Organized Crime section continues to increase. The Department has temporarily handled the additional workload with existing staff through overtime and slower response time. If the workload continues to grow, additional legal, investigative, and support staff may be needed.

The Criminal Justice Division is monitoring its performance in the District Attorney Assistance program area by beginning to collect more complete workload and case outcome data. It is tracking the number of hours worked by prosecutors; cases opened and investigated; cases prosecuted; and convictions. It is also beginning to monitor its preventative law efforts by collecting data on the number of hours spent training local prosecutors and the number of publications produced and distributed. Performance in the Crime Victims Compensation program area is being monitored by tracking the percentage of compensation orders issued within 90 days of claim receipt; the amounts recovered for victims; and the number of victims receiving compensation. Data shows that as of July 2000, over 95% of the crime victim's compensation orders were issued within 90 days of receipt.

Governor's Budget

The Governor's recommended budget for the Criminal Justice Division of $32 million reflects an increase of 13% ($3.8 million) over the 1999-01 estimated expenditures. This increase includes resources to cover standard inflation on services and supplies, increases in government service and legal charges, and four program packages that add $5.1 million total funds and 12 positions. Specifically, the budget:

- Adds $3,820,034 Federal Funds and $333,717 Other Funds for the Crime Victims Assistance program. The Other Funds and $286,812 of the Federal Funds continue three positions (3 FTE) and establish two new federally funded positions to provide technical assistance and program oversight. The remaining Federal Funds will be distributed to crime victim programs.
- Adds $583,480 Other Funds to continue as permanent five research analyst and one word processing technician position (6 FTE) that provide support to the federally supported HIDTA Intelligence Center.
- Adds $255,804 Other Funds and one position (1 FTE) to make permanent the current senior attorney position that coordinates construction fraud investigation and prosecution.
- Adds $100,000 Federal Funds for the Federal Asset Forfeiture program to enhance law enforcement through expenditures on training and equipment.

DOJ – General Counsel

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	21,487,969	27,259,125	29,778,111	31,819,428
Total	**21,487,969**	**27,259,125**	**29,778,111**	**31,819,428**
Positions (FTE)	134.53	162.50	163.50	175.00

Program Description

The General Counsel Division provides a broad range of legal services to state officials, agencies, boards, and commissions. The Division provides oral and written legal advice, drafts or reviews contracts and other documents, represents agencies in administrative hearings, and furnishes legal opinions. The Division also handles some litigation and appellate work involving client agencies.

State agencies generate varied and diverse legal issues. To deal with this broad range of subject matter, the Division is organized into the following ten sections: Business Activities; Education; Government Services;

Human Services; Labor and Employment; Natural Resources; Regulated Utility and Business; Tax and Finance; and Business Transactions and Opinions.

Revenue Sources and Relationships

Funds to support the General Counsel Division come from billings to state agencies for legal advice and representation as needed.

Budget Environment and Performance Measures

This Division's workload continues to grow in volume and complexity as state agencies' need for legal advice and representation increases. In 1997, HB 2321 added requirements that the Attorney General (AG) review and approve state agency contracts for legal sufficiency or process class exemptions after a legal review of agencies' contracting practices, forms, and proposed conditions on each exemption request. Agencies continue to seek exemptions from legal sufficiency reviews and this is requiring more proactive attorney time to help agencies with front-end documentation, contract forms, and contract practices to ensure protection for the state without legal review on a day-to-day basis. Higher Education's shift to a more entrepreneurial approach is generating increased requests for legal advice, particularly on raising private funds, contracts, construction, and risk avoidance. Two other areas in which legal issues are increasing in complexity relate to federal laws on the Endangered Species and Clean Water Acts. Also employment-related matters (such as employee grievances, disciplinary actions, collective bargaining issues, and sexual harassment) comprise a larger percentage than ever before of court dockets. New federal laws related to the Workforce Investment Act and the Adoption and Safe Families Act are generating substantial increases in agency requests for legal assistance. Department of Corrections caseload is increasing primarily due to mandatory sentencing laws, which are resulting in more prisons and a larger inmate population. Passage of Ballot Measure 66 (1998) has significantly increased the amount of work required to be done for the Oregon Watershed Enhancement Board as it enters into contract and grant agreements for watershed improvement projects. Proposed changes to the workers' compensation laws are expected to temporarily increase the need for legal services. The creation of a central hearings panel initially slowed the growth in contested case hearings and has prompted many of the licensing boards to seek alternative methods of resolving disputes. The Department is interested in adding more support staff to free up attorneys and paralegal staff for more complex issues.

The General Counsel Division is beginning to monitor its performance and identify improvement areas by collecting more extensive case information. It plans to track the number of administrative issues and juvenile court matters that are settled prior to contested case hearings; the number of contract and procurement documents reviewed annually; and the time required for response and final approval of these documents. It is also developing a client survey that will be used to assess the quality and timeliness of its legal services and identify the elements of service that are most important.

Governor's Budget

The Governor's recommended budget of $31.8 million is 17% over 1999-01 expenditures. It continues services approved in the 1999-01 biennium, adjusted for inflation and other increases and also includes two program option packages that add approximately $2 million and 12 new positions (11.5 FTE). Specifically, the budget:

- Adds $1,435,953 Other Funds and nine positions (8.50 FTE) to improve the ratio of attorneys to paralegal, investigative, and clerical support staff and enable the agency to acquire expertise needed to reduce the costs of hiring private law firms.
- Adds $605,364 Other Funds and three positions (3 FTE) to add attorneys to represent the State Office for Services to Children and Families (SCF) in child dependency cases.

DOJ – Trial Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	10,054,478	11,149,993	11,953,569	12,155,357
Total	**10,054,478**	**11,149,993**	**11,953,569**	**12,155,357**
Positions (FTE)	64.71	74.88	75.71	76.71

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. The Division is organized into teams specializing in the following five areas: (1) commercial and environmental litigation, (2) corrections litigation, (3) torts and employment issues, (4) condemnation, and (5) special litigation issues. The cases range from defending a state employee involved in an auto accident while on state business to defending the Legislature from consitiutional challenges to its authority to pass certain laws. The Division also handles all trial court cases involving inmate litigation. These cases may include appeals from their state court convictions or alleged violations of inmates' constitutional rights.

Revenue Sources and Relationships

Most of the revenue to support this division comes from billings to state agency clients. However, some types of appeal cases heard in trial courts that are filed by or on behalf of incarcerated persons are handled in this division and charged against the General Fund appropriation for criminal appeals.

Budget Environment and Performance Measures

The largest unit in this division is the Corrections Litigation Unit. It currently handles over 700 cases annually, and the workload is expected to increase as more prisoners are filing legal actions dealing with issues such as conditions of confinement, as well as efforts to overturn prior convictions and avoid lengthy mandatory sentences for repeat offenses. Case statistics indicate that while the total number of opened habeas corpus and post-conviction cases has not changed significantly over the last five years (ranging from 337 to 410), the number of attorney hours billed has more than doubled (from 3,000 to 6,500 hours). The Department attributes this increase primarily to case complexity. Over this same five-year period, the number of pending cases has increased by 63% (ranging from 79 to 129). The Department attributes this increase primarily to inadequate staffing. The Department is interested in adding more attorneys to this division so that Oregon trial attorney caseloads will be more comparable to those used in three neighboring states.

Non-correctional caseload has remained relatively constant over the last three years. Special litigation issues continue to increase in number and complexity primarily due to the initiative process and environmental issues. Initiatives prompt challenges to the language of the measure, its appropriateness for the ballot, the validity of the signatures to support it, the counting of the votes and the sufficiency of the measure if passed. This unit is also involved in defending decisions made by the State Environmental Quality Commission and the Department of Environmental Quality surrounding permits issued for construction and operation of the chemical incinerator in Umatilla.

The Trial Division is beginning to monitor its performance by collecting more extensive case data.

Governor's Budget

The recommended $12.2 million budget is 9% above the 1999-01 estimate. In addition to adjustments for inflation and other standard increases, the budget includes one package totaling $201,788 Other Funds and one senior attorney position (1 FTE) to assist with workload demand created by prisoner litigation.

DOJ – Division of Child Support

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	51,791,353	75,089,948	78,353,491	79,855,789
Total	**51,791,353**	**75,089,948**	**78,353,491**	**79,855,789**
Positions (FTE)	577.88	587.80	569.55	587.80

Program Description

The 1999 Legislature (HB 2236) changed the name of the Support Enforcement Division to the Division of Child Support. The Division has redefined its mission to focus on enhancing the well being of children rather than focusing solely on the collection of child support. It establishes paternity, enforces and modifies child support obligations, and receives and distributes support payments from absent parents. The Division provides these services automatically for families that are requesting, receiving, or have received, public assistance from the Adult and Family Services Division (AFS); if the child is in the care of the State Office for Services to Children and Families (SCF) or the Oregon Youth Authority (OYA); or if the case has been referred by another state. The Division also provides these services to other families if they request the service. In addition, Gilliam, Hood River, Lake, Linn, Sherman, and Wheeler County District Attorneys have chosen not to provide their own programs and contracted with DOJ to handle all their child support cases.

During 1999-01, the Division reorganized to better serve its customers. The Division consists of two sections: the Operations section and the Policy and Program Services section. The Operations section provides services to customers in their local area. There are four regions throughout the state and each is responsible for providing full services, which include establishment, enforcement, and accounting. The Policy and Program Services section provides centralized support functions such as receipting, garnishments, training, forms, and automation.

Revenue Sources and Relationships

The child support program is a joint federal, state, and local program that provides child support services. The program is administered by AFS, which receives federal funds that pay 66% and state General Fund and local funds that pay the remaining 34 percent. AFS contracts with the Department of Justice to provide child support program services and, therefore, these resources are budgeted as Other Funds. The 1999-01 estimated amount of funds passed through from AFS was $75 million and in 2001-03, $79.9 million are expected.

Budget Environment and Performance Measures

Caseloads continue to increase but at a slower overall rate than in prior biennia. The amount of recoveries is decreasing because the percentage of the child support caseload that represents families also on welfare is declining. Since the state’s share of child support recoveries is used to fund the cost of child support enforcement activities, the recovery reduction has a direct and adverse impact on program. During 2001-03, the Department of Human Services (DHS) is projecting a $1.7 million under-funding of the state’s share due to reduced recoveries. DHS hopes to obtain additional General Fund collections to mitigate this loss and avoid the loss of an additional $3.3 million in federal matching funds. Without funds to cover the state’s share, approximately 50 child support employees may need to be laid off. If this occurs, recoveries would decline further and cause enforcement efforts to also be reduced. Such reductions could put the state in a federal non-compliance status, which could cause a loss of welfare funding and a reduced Federal Funds match rate for the child support program.

Pending federal legislation that may further decrease the amount of recoveries available to support the program. The pending legislation may mandate that states pass through a greater share of child support payments to families that have left welfare. It would also provide federal financing for those states choosing to pass through child support payments to families on welfare. Since Oregon is one of at least 18 states that finance their child support systems through retained collections, passage of the federal legislation could have a significant financial impact.

The Department projects that it will establish 29,349 child support orders in 2001-03. This represents a 13% increase over the 26,045 orders projected for 1999-01. The number of times paternity will need to be established is expected to slightly increase (from 6,135 to 6,648) during 2001-03. This is 24% less than the 8,745 established during 1997-99. The decrease in public assistance caseload and the increase in voluntary acknowledgments caused the difference. The number of parents expected to be manually located through Locate Teams during 2001-03 is expected to decrease by about 10% (from 87,308 to 79,000) due to database improvements and enhanced electronic searching capability. During 1999-01, the Department has spent more time researching and establishing clear and accurate orders resulting in a higher collection rate. The amount of funds the Department expects to collect and distribute to custodial parents and appropriate state programs is expected to increase by 10% (from $564.2 million to $620.70 million) during 2001-03.

The 1997 Legislative Assembly passed HB 2324, which implemented provisions of the federal Welfare Reform legislation. The Department received 19 limited duration positions in the 1997-99 biennium to implement the new requirements in the federal legislation. The 1999 Legislative Assembly passed SB 29 to remove the sunset from Oregon law that implemented changes required by federal welfare reform. However, due to a technical error, the 19 limited duration positions authorized by the 1997 Legislature were not given permanent status in the 1999-01 biennium. This issue is being addressed as a policy package in the 2001-03 budget. At the present time, only about 33% of the orders for welfare families and about 60% of orders for non-welfare families are current. The Department is interested in adding staff to increase the percentage of current, accurate child support orders to 50% and 70%, respectively, and believes that this will produce more payments.

The Division of Child Support has linked its performance with four of the Oregon Benchmarks. The Division works to: 1) increase the percentage of current court-ordered child support paid to families by establishing orders, promoting paternity establishments, and pursuing strategies to increase child support payments; 2) reduce the percentage of families with incomes below the federal poverty level by ensuring that families who depend on child support for basic needs receive consistent payments; 3) reduce the percentage of citizens without health coverage by establishing child support orders that require parents to provide health insurance; and 4) reduce the percentage of pregnancies per 1,000 females through its promotion of various educational programs. The Division is also monitoring program effectiveness by tracking the number of times paternity is established as a percentage of unwed births; the total dollars collected for child support; and the percentage of child support cases with established ongoing monthly payments. Data collected in the last four fiscal years shows that paternity has been annually established in 82% to 90% of the cases involving unwed births; that $71 to $104 million was collected annually for child support; and that 30% to 36% of the child support cases annually submitted are established with ongoing monthly payments.

Governor's Budget

The Governor's recommended budget for the Division of $79.9 million is 6% ($4.8 million) higher than 1999-01 estimated expenditures. The budget continues services established by the 1999-01 legislatively approved budget increased for inflation and other costs. It also includes one policy package which includes $1,502,298 Other Funds and continues 19 existing limited duration positions (18.25 FTE) to perform work required by the Welfare Reform Act. To generate the revenue necessary to continue these positions, the Division will need to focus more intensive General Fund collection efforts on behalf of welfare cases.

DOJ – Criminal Appeals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,607,589	6,873,233	6,678,026	10,138,397
Other Funds	0	0	754,896	754,896
Total	**4,607,589**	**6,873,233**	**7,432,922**	**10,893,293**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Criminal Appeals is a budgetary unit to track the cost to the Department of defending the state in cases in which sentenced offenders challenge their convictions or sentences. Personnel and resources to do the work are shown in the Trial and Appellate Divisions.

Revenue Sources and Relationships

Criminal and capital appeals are primarily financed by the General Fund appropriation. Due to the limited availability of General Fund support, however, the Department has used Other Funds revenue generated from billings to client agencies to cover the cost of criminal appeals and post-conviction cases. In the 1997-99 biennium, the Legislative Assembly included $1 in the billing rate increase to assist with uncovered criminal appeal costs and approved a $600,000 Other Funds limitation to cover part of the General Fund shortage, which was approximately $1.5 million. In the 1999-01 biennium, the Legislative Assembly included another $1 in the billing rate increase to assist with uncovered criminal appeal costs and approved a $600,000 Other Funds limitation to cover part of the General Fund shortage, which had grown by an additional $1.9 million. As such, the hourly rate increases have not covered the associated criminal appeals program costs. This has caused the Department to draw down its ending balance and create cash flow concerns. The additional estimated General Fund shortage for 2001-03 is approximately $2 million. To fully finance these amounts (which total $5.4 million) with Other Funds generated from client agency billings, it would require approximately a $8 increase in attorney hourly billing rates.

Budget Environment and Performance Measures

The caseload is driven by the number of contested criminal convictions. The Department expects the workload to grow in relation to the number of new intakes into the criminal justice/corrections system and on the number of inmates receiving longer sentences. Department of Corrections intake data show that annual intakes have dropped in the last five calendar years from approximately 7,700 to 4,000 (primarily due to SB 1145) and that the number of offenders with Ballot Measure 11 sentences has increased from 0 to 1,937. It appears that these two offsetting trends have had a stabilizing impact on the number of criminal appeals, since the number of these cases filed with DOJ over the last five years has remained relatively constant. In 1996, there were 1,326 cases, and in 1999, 1,290 cases were filed.

DOJ believes the criminal appeals caseload numbers have been artificially low due to a "bottleneck" at the Public Defender's Office. The Emergency Board allocated an additional $176,400 to the Public Defender Office to expedite the completion of appeal cases and to implement a management improvement plan. DOJ expects caseloads to increase due to these actions; the projected increase in prison populations; the increased length of sentences under Ballot Measure 11 and HB 3488 (chronic property offender legislation which was effective July 1, 1997); and increased challenges to prison disciplinary proceedings and decisions made by the Board of Parole and Post Prison Supervision. If projected caseload and cost increases occur, DOJ will need additional General Fund support. If the projected growth occurs without additional General Fund support, DOJ may need to slow down case processing, increase its backlog, decide to defend only a limited number of cases, further decrease its ending balance, and / or shift attorneys to Other Fund supported workload areas.

Review of criminal appeal cases filed in the last two biennia shows that there has been a significant increase in case complexity. The average number of attorney hours involved increased from 18 hours to 30, or nearly a 70% increase. The Department attributes this to increases in the number of issues raised, the number of statutory cites that must be researched, and the length of the briefs to be reviewed. DOJ believes the Public Defender Office may be selecting more significant cases on its docket to brief and that sentencing law changes are causing more cases to proceed to trial, instead of being resolved through a plea agreement. As a result, there are more issues to be raised on appeal and larger records to review.

The Department was required, by budget note, to work with the Joint Interim Judiciary Committee, the Judicial Branch, the Public Defender office, and other interested parties to identify ways to reduce the number and cost of criminal appeals. Based on the efforts of the workgroup, at least two legislative concepts are being refined for consideration during the next regular session. The Department is also attempting to streamline processes through use of paralegal staff, brief banks, staying cases, and increased information sharing when new attorneys are assigned to handle criminal appeals. The Department has begun to develop ways to monitor its performance by tracking the number of cases, case complexity, length of briefs, and the number of statutory sites. It is also researching other factors affecting overall criminal appeals workload.

Governor's Budget

The Governor's budget for Criminal Appeals provides $10.9 million, which represents a 58% ($4 million) increase to 1999-01 estimated expenditures. Specifically, the budget:

- Adds $1,335,313 General Fund and $154,896 Other Funds to continue to operate the program at current levels. This increase is driven primarily by the increase in the attorney rate from $90 to $106 per hour and general inflation costs.
- Adds $3,460,371 General Fund to pay for the cost of defending the State against challenges to individuals' convictions or sentences. This addition allows the agency to make a $5 reduction in the hourly legal biling rates charged, without depleting limited cash reserves. This allows the $1.5 million provided by the Emergency Board in June 2000 to continue in the base program budget and provides an additional $1.9 million to cover mandated caseload growth (number of cases, hours spent on cases, and case complexity).

Military Department (Military) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	10,443,715	12,856,405	11,953,801	13,741,434
Other Funds	4,362,968	4,005,310	5,702,072	5,950,339
Federal Funds	50,725,620	40,100,539	40,074,112	47,972,838
Total	**65,532,303**	**56,962,254**	**57,729,985**	**67,664,611**
Positions (FTE)	343.55	365.86	364.86	367.36

The Military Department 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, which serves on a day to day basis under the command of the Governor, but is available to the federal government upon orders from the President. The members are trained to assist should there be man-made or natural disasters, or a need to back up law enforcement agencies.

Revenue Sources and Relationships

The Department's operating Other Funds revenue sources contribute 15% of the agency's total state budget and include 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. Miscellaneous sales revenues are derived from vending machine profit, coin operated telephones, and recycling programs. During the 1999-01 biennium, certificates of participation (COPs) were issued to finance the state match requirement for design and construction of the Emergency Response Center in Salem. The Department is requesting General Fund to fund debt service on the COPs. The General Fund makes up approximately 29% of the agency's total state budget.

The federal government provides approximately 90% ($416.7 million) of the funding for the Oregon National Guard. However, only a limited portion of these funds ($64.3million, or 15% of the Federal Funds) are included within the Department's budget. Guard member salaries and wages are paid directly by the federal government and are not included in the Military Department budget. Federal Funds support: All of troop training costs; Department of Defense programs; base security; fire fighters; Science and Technology Academy Reinforcing Basic Aviation and Space Exploration (STARBASE); 60% of the Youth Challenge Program; 75% of the logistical sites; and between 75% and 85% of the utility, maintenance, and supply expenditures of the Air National Guard..

Budget Environment and Performance Measurements

In 2001-03, Federal Funds are expected to increase from $40.1 to $64.3 million. The major share of the increase is attributed to $19.9 million for planned capital construction projects. The critical issues are the decline in recruiting and retaining members. The Oregon National Guard has a significant commitment of National Guard assets that provide economic benefits to the state and communities and serve as an important resource in disaster relief and recovery. Oregon faces the loss of units to other states if training levels and facilities' readiness are not maintained. Insufficient State General Fund and Other Funds have resulted in an inability to fully leverage available federal funding. The amount of additional Federal Funds that could be available to Oregon's Military Department if state match money were available is estimated at over $4 million.

The Department restructured its budget programs to more closely reflect the actual operations of the department and alignment with the Statewide Financial Management System. As a result, telecommunications and recruiting activities have been moved from Administration to Operations, and public affairs was moved from Community Support to Administration.

The Department tracks over 17 performance measures and 27 different workload measures. The Department has identified nine Oregon Benchmarks linked to its programs and services. Major performance measures for the Department include:

- Combat readiness levels of Oregon National Guard Army and Air Units. This performance measure is classified "secret" by the Department of Defense and may not be released to unauthorized individuals. Factors used in determining readiness include percent of assigned, qualified and available personnel; equipment on hand vs. required amounts; percent of equipment that is operational; and the number of training days required to become fully ready for deployment. Readiness scores for each unit are reviewed regularly by the Adjutant General who uses the information to make decisions to align personnel and equipment where needed.

- Oregon Army National Guard actual strength as a percentage of authorized strength. The agency goal is 100%, and the current outcome is 82.5 percent. The 2001-03 proposed budget assumes an outcome of 100 percent.
- Oregon Air National Guard actual strength as a percentage of authorized strength. The agency goal is 100%, and the current achievement is 90.8 percent. The 2001-03 proposed budget assumes an outcome of 100 percent.
- The percentage of the Department's General Fund budget returned to Oregon in the form of federally funded employee state income taxes. The agency goal is 100%, and the current achievement rate is 180 percent. The 2001-03 proposed budget assumes an outcome of 80 percent.

Governor's Budget

The Governor's recommended budget is $67,664,611 total funds. This is an increase of 19% over the 1999-01 estimated budget and 17% over the 2001-03 current service level. The recommended budget includes reduction options to abolish four positions (4.00 FTE) in the Administration and Operations program units. The reduction results in $450,067 General Fund reduction to the 2001-03 current service level. Overall, the recommended budget provides $35,597,448 in personal services and 367.36 FTE; $26,173,539 in services and supplies; $4,129,795 in capital outlay; $1,346,380 in special payments and $417,449 in debt service payments. Personal Services is increased a total of $909,479 over the 2001-03 current service level. With the reduction package factored in, the increase is $485,958. The increase in personal services is due to additional federal funding for five positions (4.50 FTE); an increase in Other Funds for unemployment compensation; General Funds for two additional positions (1.50 FTE) for the operation and maintenance of the Salem Armed Forces Reserve Center/State Emergency Coordination Center; and coordination of the Tuition Assistance Program. Services and supplies is increased a total of $4,379,060 over the 2001-03 current service level. The largest share of the services and supplies increase is due to a $3 million increase in federal funds for the Army National Guard facilities operations and maintenance programs. The special payments category is increased $1,115,739 to carry forward the tuition assistance program payments and debt service is increased $261,869 for repayment of certificates of participation on the Baker City Readiness Center Construction project.

Military – Administration Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,790,185	4,373,467	3,402,369	4,386,604
Other Funds	646,035	827,695	847,804	1,098,707
Total	**3,436,220**	**5,201,162**	**4,250,173**	**5,485,311**
Positions (FTE)	29.21	29.75	28.75	26.75

Program Description

The Administration Program consists of the office of the Adjutant General, Financial Administration, Personnel, Education and Training, and Public Affairs. This program supports approximately 1,900 state and federal full-time employees, commands over 9,300 soldiers and airmen, and provides oversight for approximately $2.5 billion in facilities and equipment.

Budget Environment and Performance Measurements

Recruiting and retaining Oregon National Guard personnel continues to be the primary focus for the 2001-03 biennium. Although increased funding for tuition assistance in the 1999-01 biennium resulted in a significant increase of 498 new personnel, the Oregon National Guard was still 1,094 personnel below required strength levels as of April 1, 2000. A decline in strength levels could result in the loss of units and associated positions, equipment and federal funding. A revision in National Guard Rules relating to reimbursement of direct costs for state Military Departments results in some Department of Administrative Services government service charges becoming ineligible after June 30, 2001. These costs will need to be shifted to General Fund. The Oregon Military Department computer systems need to be updated to remain compatible with Department of Defense federal systems for routine operation of the Agency. An upgrade to Windows 2000 will be required in the 2001-03 biennium to maintain intergovernmental data and resource sharing with federal and state networks.

In addition to the major performance indicators identified above, the Administration Program tracks seven performance measures key to the specific services within this program. Two of those measures are:

- The number of individuals on a waiting list for Tuition Assistance Funding. This is a new measure due to the added funding by the Legislature in 1999. The agency currently records 260 individuals on the waiting list and projects there will be 520 by the end of the year.
- The percentage of women, people of color, and persons with disabilities in the agency workforce. The agency's target is 60.3% of the workforce with a 32.5% achievement rate at the end of 1999. The 2001-03 budget assumed 34.5 percent.

Several new performance measures have been identified including the number of on-the-job injuries per year and the number of state active duty workdays supporting emergency activation by the Governor, for which current data is not available. Nineteen workload measures are also tracked by the Administration program including items such as: number of public complaints, payments processed, federal/state agreements, active duty activation by the National Guard, recruitments, terminations, payroll actions, and so forth.

Governor's Budget

The Governor's recommended budget is $5,485,311 total funds. The overall Administration Program budget is increased $359,715 or 7% over the 1999-01 estimated budget and $1.2 million or 29% over the 2001-03 current service level. The base budget is reduced $1.2 million to phase out funding for the Tuition Assistance Program. The recommended budget includes a reduction option to abolish three positions, removing funding for the Oregon Military Museum and Resource Center, the only clerical support position for the Financial Administration Division and the only administrative support position for the Information Management Division. The reduction results in a total General Fund reduction in the 2001-03 current service level of $312,953.

The recommended budget continues funding of the tuition assistance program at $1,230,000 and one permanent position; provides $65,841 General Funds for State Government Service Charges that are no longer reimbursable by federal funding; and provides $252,250 in Other Funds for payment of employee unemployment costs projected under two Federal/State Agreements that the Federal Government has elected to discontinue. The federal funds are advanced to the state for payment of the anticipated unemployment costs at a future date.

Military – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	7,117,294	7,816,620	7,786,325	8,589,723
Other Funds	2,030,515	1,877,601	2,445,357	2,442,721
Federal Funds	29,056,980	35,340,188	36,110,000	39,960,020
Total	**38,204,789**	**45,034,409**	**46,341,682**	**50,992,464**
Positions (FTE)	279.24	286.11	286.11	288.61

Program Description

The Operations Program is responsible for the operation and management of the Army and Air National Guard programs on a daily basis. The Operations Program consists of 13 major areas of responsibility for the National Guard programs. The areas of responsibility include:

- ***Army National Guard Facilities Operations and Maintenance*** (112.50 FTE). This program combines all Army National Guard facilities operations and maintenance activities into one program including real property operations and maintenance, logistical facilities, armories, training facilities security, and automated target systems. The program provides basic operation, maintenance, repair and alteration support for Oregon Army National Guard facilities. The program is funded primarily by Federal Funds with a state matching requirement of 0% to 50%, depending on the nature of the program.
- ***Army National Guard Construction Operations*** (4.00 FTE). This program manages construction of Oregon Army National Guard facilities. Construction management includes project oversight, contract administration, and quality assurance to ensure that construction work is completed according to plans, specifications and terms of the contract. The program is funded primarily with General Fund.
- ***Army National Guard Environmental Program*** (5.00 FTE). The environmental program is responsible for overseeing compliance with federal and state environmental regulations for Oregon Army National Guard facilities. The program is 100% federally funded except for one position that requires a 25% state match.

- ***Counterdrug Program*** (0.00 FTE). This program supports local, state and federal law enforcement efforts to stop the flow of illegal drugs into the state and manufacture of illegal drugs in Oregon. In addition, the program supports the drug abuse prevention education and training efforts of community-based organizations efforts. The program utilizes Oregon National Guard members, equipment and specialized technology to provide technical, operational, training and reconnaissance / observation that augments drug abuse prevention programs within Oregon. The program is 100% federally funded.
- ***Air National Guard Administration Program*** (2.00 FTE). This program provides command and administrative support for all Oregon Air National Guard programs. Administrative staff is 100% federally funded while services and supplies are funded by the General Fund.
- ***Air National Guard Civil Engineering Program*** (52.61 FTE). This program provides facility operations and maintenance, repair and alteration support for the Portland Air Base, Kingsley Field and Camp Rilea Air National Guard facilities. The program is funded primarily by Federal Funds with a state match of 15% to 25 percent.
- ***Air National Guard Security Program*** (29.00 FTE). This program provides security police protection at the Portland Air Base and Kingsley Field. Security personnel are instrumental in protecting aircraft and facilities against theft, sabotage, vandalism and trespass. This program is 100% federally funded.
- ***Air National Guard Fire Protection Program*** (36.00 FTE). This program provides fire protection at the Portland Air Base and Kingsley Field. Personnel are trained to contain aircraft fires, perform air crew extraction, and provide structural fire fighting protection. It is the only source for crash / rescue and fire fighting at the Klamath Falls Airport. This program is 100% federally funded.
- ***Air National Guard Environmental Program*** (2.00 FTE). This program monitors and ensures environmental compliance at the Portland Air Base, Kingsley Field and Camp Rilea Air National Guard facilities. The program is funded through a federal-state cooperative agreement and requires state matching funds of 15% to 20%, depending on the program location.
- ***Kingsley Field Billeting Program*** (2.00 FTE). This program provides lodging to Oregon National Guard members, F-15 fighter pilot students, and flight medicine students receiving training at Kingsley Field. The program is 100% federally funded.
- ***Electronic Security System Program*** (2.00 FTE). This program provides electronic security systems for all facilities designed for storage of small arms or ammunition. Electronic security system equipment and replacement components are procured directly through the federal supply system with 100% Federal Funds.
- ***Equipment Refurbishment Program*** (58.00 FTE). This program provides repair for excess unserviceable electronics, power generation and support equipment that is then redistributed to fill critical equipment shortages in the National Guard. The program is operated at Camp Withycombe in Clackamas, Oregon and is 100% federally funded.
- ***Telecommunications and Recruiting Program*** (1.50 FTE). This program provides procurement, operation and maintenance of the Oregon Army National Guard telecommunications system and office space for recruiting new members in Beaverton, Salem and North Bend. The program is 100% federally funded.

Budget Environment and Performance Measurements

The Oregon National Guard currently has 546 buildings, including 38 operational armories and 13 training / logistical sites in 25 counties representing approximately 2.8 million square feet. The age of a majority of the facilities makes them inefficient and expensive to operate and maintain. The average age of all facilities is 37 years. A recent analysis indicated 34% do not fully meet Department of Army standards and are in overall fair condition, and 50% are dysfunctional or substandard and in overall poor condition. The declining condition of facilities results in a decline of lease and rental revenue that is a primary revenue source available for operation and maintenance of the armories. It also has a direct and negative impact on recruiting, training and retaining soldiers.

The current backlog of deferred maintenance is estimated at $20 million. Without additional funding, the agency expects the current trend of facility degradation to continue at 5% per year. If the agency is unable to properly care for the armories, it could reduce armory rental revenue that is relied upon to operate and maintain the facilities. Currently, 13 armories are being operated without basic custodial and facility maintenance support. The Department projects a significant increase in repair costs if repairs are delayed to future biennia. As part of congressional action in the 1999-01 biennium, Federal Funds for the Real Property Operations and Maintenance program will be increased. In addition, the National Guard Bureau recently changed it's methodology for funding certain positions basing the limitation amounts on the state's actual costs instead of the federal government's position rate. This will result in increased federal funding for the operations program.

Key measures of performance for this program include:

- The percentage of armory rental revenue target earned annually. The target is established through analysis of historical revenue and a forecast of projected earnings. Currently, the agency target is 100%, and the achievement rate is 93.9 percent. The 2001-03 budget assumes 100 percent.
- The funding level required to repair armories to an acceptable level. An acceptable level means the armory is functional but does not meet 100% of the National Guard Bureau criteria. Currently, the agency has identified $3.3 million as the required funding level with a target level of zero. The 2001-03 budget assumes a required funding level of zero.
- The percentage of Oregon National Guard facilities that meet National Guard Bureau criteria. The agency target is 100%, and the achievement rate is 16 percent. The 2001-03 budget assumes an achievement of 45 percent.

Governors Budget

The Governor's recommended budget is $50,992,464 total funds reflecting an increase of $5.9 million or 13% from the 1999-01 estimated budget and $4.5 million or 10% above the 2001-03 current service level. Over $5.5 million of the increase from the 1999-01 estimated budget is attributed to increases in the cost of personal services. The recommended budget includes a reduction option to abolish two Army Operations Technician positions included in the 2001-03 current service level for a total reduction of $137,114 General Fund. The result of this reduction will be further reduction in facilities maintenance, repair and support to armories. Another decision package reduces expenditure limitation by $56,046 in the Operation Program for government service charges shifting the cost to the Administration Program.

The recommended budget increases Federal Fund expenditure limitations by a total of $3,893,783 to fund:

- three positions (3.00 FTE) in Facilities Maintenance and to implement a Distance Learning Center ($411,402); and
- an increase in services and supplies for facilities operation, maintenance, and repair; equipment refurbishment; Portland Airbase security systems; and Klamath Falls fire protection ($3,523,755).

Also provided in the recommended budget is $688,290 General Funds to establish two permanent positions (1.50 FTE) for operations and maintenance of the Salem Armed Forces Reserve Center / State Emergency Coordination Center. A decision package to increase debt service payments by $261,869 with General Funds is recommended to pay for the sale of certificates of participation approved by the interim Emergency Board for construction of the Baker City Readiness Center.

Military – Community Support

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	536,236	666,304	765,107	765,107
Other Funds	381,418	1,300,000	2,408,911	2,408,911
Federal Funds	3,118,640	4,209,837	3,964,112	4,306,818
Total	**4,036,294**	**6,176,141**	**7,138,130**	**7,480,836**
Positions (FTE)	35.10	50.00	50.00	52.00

Program Description

The Community Support program coordinates support for local programs and supports the Governor's initiatives on education, environment, public safety, and productivity. The program contains the agency's Science and Technology Academy Reinforcing Basic Aviation and Space Exploration (STARBASE), Youth Challenge, and Innovative Readiness Training Programs. STARBASE is designed to increase at-risk third through eighth grade students' awareness of the importance of math and science. The curriculum demonstrates math and science applications in aerospace operations. National Guard members demonstrate applicability of math and science to flight operations, weather reporting and forecasting, electronics maintenance and fire fighting facilities. Youth Challenge offers at-risk high school dropouts an opportunity to complete educational credit with a goal of reintegrating into high school to earn a diploma or prepare for the General Education Development (GED) examination. The program consists of a 22-week residential training program followed by a 12-month nonresident program. Innovative Readiness Training provides engineering and construction training for Oregon Army National Guard soldiers through community support projects that will provide military-related training for soldiers. Typical projects include park development and construction, road and bridge construction, and utility projects.

Budget Environment and Performance Measurements

The STARBASE and Innovative Readiness Training programs are 100% federally funded through the National Guard Bureau. The National Guard Bureau is increasing federal funding to improve and expand the curriculum of the STARBASE program. The Youth Challenge Program is 60% federally funded, requiring 40% state matching funds. A portion of the required state match is received from Average Daily Membership Other Funds revenue through the Bend-LaPine School District and the remainder is received from the General Fund. As in the case of the Administration Program, revisions in National Guard Rules relating to reimbursement of direct costs for state Military Departments results in some Department of Administrative Services government service charges becoming ineligible after June 30, 2001. These costs will be shifted to General Fund.

Key measures of effectiveness for this program area include:

- The umber of high school students completing a structured work experience program. The agency target is 400, and the current achievement rate is 451. The 2001-03 proposed budget assumes the current service level.
- The percentage of Youth Challenge Program cadets that graduate from the program and also earn eight high school credits and return to their local high school and / or receive an Oregon General Equivalency Degree (GED). The agency target level is 95%, which is also the achievement rate. The 2001-03 proposed budget assumes the current service level.
- The number of students that graduate from the STARBASE program annually. The agency target is 2,000, and the current achievement rate is 2,241. The 2001-03 proposed budget assumes the current service level.

Governor's Budget

The Governor's recommended budget is $7,480,836 total funds reflecting an increase of $1.3 million or 21% above the 1999-01 estimated budget and $342,706 or 5% above the 2001-03 current service level. Over $1 million of the increase from the 1999-01 estimated budget is attributed to increases in the cost of personal services. The recommended budget includes an increase of $342,706 in Federal Funds expenditure limitation for establishing two permanent Administrative Specialist positions to provide management of information systems and to improve and expand the STARBASE program curriculum.

Military – Capital Improvement/Major Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	14	0	0
Other Funds	1,305,000	14	0	0
Federal Funds	18,550,000	550,514	0	3,706,000
Total	**19,855,000**	**550,542**	**0**	**3,706,000**

Program Description

This program provides for new construction, remodeling or improvements to facilities to carry out the agency's mission.

Revenue Sources and Relationships

Other Funds revenue in the Construction Account is from the sale of real property and earned interest. The revenues generated from the sales of properties are used as state matching funds. Depending on the type of facility constructed, the federal government pays between 67% and 100% of the approved construction cost. Site improvements and multi-purpose accommodations outside the federal guidelines are 100% state obligations. Other funding sources may include COPs, and interest earnings.

Budget Environment and Performance Measurements

The Construction Account, mostly acquired from the sale of Camp Withycombe property for highway right-of-way, is nearly depleted and cannot provide the required match on currently approved federal projects. The agency has more than 30 projects identified in the National Guard Bureau Long-Range Construction Plan estimated at $194 million. Of that amount, the state would be required to pay 20% ($38.8 million). While the agency plans to identify excess buildings, facilities, and real property to generate revenue to offset the state match requirement, the Major Construction Other Funds Account presently does not have sufficient funds to undertake additional projects. The agency plans to pursue all available Federal Funds for new facility design and construction and is looking to partner with other state agencies to share services and reduce operational expenses. In the future, Federal Funds for capital construction are expected to be highly competitive.

No performance measures have been identified for this program area.

Governor's Budget

The Governor's recommended budget is $3,706,000 Federal Funds for planning and design of the Camp Rilea Bachelor Officer Quarters.

Board of Parole and Post-Prison Supervision – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,752,351	2,852,130	3,047,750	2,959,720
Other Funds	10,367	3,548	3,637	3,637
Total	**2,762,718**	**2,855,678**	**3,051,387**	**2,963,357**
Positions (FTE)	17.00	16.00	16.00	16.00

Program Description

The Board of Parole and Post-Prison Supervision is responsible for setting parole release dates for offenders who committed crimes prior to November 1, 1989; approving release plans and establishing conditions of community supervision for all offenders; setting release dates for dangerous offenders; responding to offender appeals; administering parole revocation hearings; and notifying victims of hearings and releases.

Revenue Sources and Relationships

The Board is supported primarily by the General Fund. Other Funds revenue is from the sale of documents and hearing tapes to members of the public and to offenders. In 2001-03, Other Funds revenue is projected to be $3,637. In the 1997-99 biennium, $9,075 in Other Funds was derived from a grant awarded from the Oregon Department of Justice and federal Victims of Crime Act funds for production and distribution of a video on victims' rights in the parole and post-prison supervision process.

Budget Environment and Performance Measures

The Board's role and workload have been drastically altered by implementation of sentencing guidelines in 1989; increases in the inmate and offender populations; increases in victim participation in post-sentencing matters; passage of SB 1145 in 1995; and passage of SB 156 in 1997. As a result of these legislative changes, local authorities have more control and discretion in sanctioning offenders who violate conditions of community supervision.

Although the Board does not establish prison terms and release dates for most crimes committed after November 1, 1989, it is still responsible for all offenders sentenced under previous systems. That population is diminishing. The number of inmates under the Board's jurisdiction to determine initial release dates has declined from 5,300 in 1989 to about 1,350 in 2000. It is expected to decrease by another 200 during the next three years. This represents about 14% of the total inmate population and is expected to decrease to about 1,150 during the next three years. This workload reduction was expected and allowed the board members to be reduced from five to three; institutional hearings to be reduced from five days per week to two; and the number of support staff to be reduced from nineteen to thirteen. On the other hand, the Board's responsibility to approve release plans for all offenders released to parole and / or post-prison supervision and for imposing conditions of supervision applies to a growing population of offenders. Currently, on average, 325 offenders are released from prison each month. A gradual increase in the number of inmates released each month is occurring and is expected to reach around 400 by June 2003.

The number of offenders on parole or post-prison supervision has increased from 2,000 in 1988 to over 10,000 in 2000. Of the 10,374, about 8,588 (83%) are under the Board's jurisdiction and 1,786 are under the jurisdiction of local supervisory authorities. For 2001-03, the monthly number of offenders on parole and post-prison supervision is expected to increase from 10,499 to 11,430 (a 9% increase).

The Board continues to be responsible for parole and post-prison supervision violation hearings. The monthly average has declined from 515 in 1995 to 435 currently. A Board hearing officer conducts hearings in 22 counties, and 14 counties conduct their own hearings. Funding is provided by the Board under an intergovernmental agreement. The amount paid to counties currently does not cover the cost to conduct the hearings. This under funding may cause the Board to conduct hearings for more counties.

The monthly average of offenders being revoked from parole or post-prison supervision has also decreased from 140 to 80 since 1995. The monthly average of warrants issued has decreased from 617 to 369 in the last year. These reductions are due to full implementation of SB 1145, passage of SB 156, and adoption of administrative rules that allow greater use of sanctions. Under these rules, parole officers may sanction offenders for up to 30 days; hearing officers for up to 60 days; and the Board must impose sanctions in excess of

60 days. Prior to November 1997, parole officers only had authority to sanction up to 15 days and hearing officers up to 30 days. For 2001-03, the Board estimates slight increases in the number of parole violation hearings since more offenders are being supervised.

The Board also handles the public and victim inquiries concerning both in-custody and out-of-custody offenders. The number of victims who have registered with the Board for notification has increased from 300 in 1988 to over 8,000 in 2000. During 1999-01, the number of registered victims increased by 500, or 8 percent. During 2001-03, the Board expects the number of registered victims will continue to increase at a similar rate.

The Board continues to incur Attorney General charges above budgeted levels. In 2001-03, it projects that a $120,000 funding gap will exist. An interim work group has explored various ways to reduce the cost of direct appeals in criminal cases and judicial review of decisions of the Board. One of the proposed concepts would shift the costs of certain inmate judicial appeals from the Department of Corrections (DOC) to the Board, which may increase the Board's appeal costs. The Board has also changed its policy regarding psychological examinations, which should result in some cost savings.

The Board was directed by budget note to examine its business processes to ensure that technology was supporting the most cost-effective way of doing business. The review showed that that the Board should fully automate more of its business functions and identified ways to increase efficiency and facilitate better communication with its customers. The Board developed action plans to implement the necessary changes and has reclassified an information systems position to increase internal computer programming expertise and reduce reliance on contract services. The Board's offender database has been merged with DOC's offender profile system, reducing the amount of data entry required by Board staff, the volume of paperwork flow between the Board and DOC, the amount of time needed to process orders of parole and post-prison supervision, and duplication in victim notification.

The Board has three key performance measures that indicate it has held down personnel costs per output; that the number of paroled offenders with new convictions within three years of initial release has remained around 31% since 1991; and that prison term computations have remained accurate in 92 to 95% of inmate records audited since 1996.

Governor's Budget

The Governor's recommended budget is an increase of $107,679 (3.8%) from 1999-01 estimated expenditures. The budget continues most activities at current levels. The increase is primarily due to restoration of reductions in Attorney General expenses as well as salary, benefit, inflation, and state government service charge increases. Specifically, the budget:

- Adds $119,826 General Fund to restore Attorney General funding to meet expected needs.
- Reduces $43,726 General Fund used to pay for psychological examinations since the Board has instituted a policy that will reduce the number routinely scheduled.
- Reduces $87,975 General Fund used to pay consultants for information system upgrades since a position reclassification will allow more of this work to be done internally.
- Reduces $21,490 General Fund used to pay counties that conduct parole violation hearings since the number being performed is continuing to decrease.
- Reduces $15,055 General Fund used to pay LEDS terminal leasing fees since the Department of State Police is phasing out LEDS terminals on July 1, 2001.

Department of Public Safety Standards and Training – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	11,945,305	16,070,214	19,373,960	26,365,930
Federal Funds	1,692,122	580,234	160,000	210,000
Total	**13,637,427**	**16,650,448**	**19,533,960**	**26,575,930**
Positions (FTE)	79.56	101.63	97.62	109.00

Program Description

The Department of Public Safety Standards and Training (DPSST) is responsible for developing and maintaining standards for employment and providing training to law enforcement, correctional, parole and probation, telecommunication and private security officers. The Department is also responsible for promoting competency in fire fighting operations by prescribing uniform standards in educational programs and training courses. The director of DPSST reports to a 23-member Board. In 1999, the Legislature established the Public Safety Memorial Fund to provide benefits to family members of public safety officers who have been killed or permanently disabled in the line of duty. A six-member board selected from the members of the DPSST board determines eligibility, amounts of benefits, and manages all available memorial funds.

Revenue Sources and Relationships

The primary revenue source for the law enforcement training programs is the Criminal Fines and Assessment Account (CFAA) funded by the unitary assessment added to all fines and bail forfeitures ($14.2 million). Unitary assessment revenue is also the primary funding source for the Public Safety Memorial Fund ($625,607). The 1999 Legislature passed SB 82, which placed caps on the amount of unitary assessment revenue that can be transferred to various programs, including DPSST. The 2001 Legislature will have to modify the caps and/or the unitary assessment distribution formula to provide adequate funding for DPSST's law enforcement training services. Law enforcement program funding is also provided from polygraph examiner licensing fees, and miscellaneous receipts ($406,500). Other Funds from licensing and certification fees support the certification program for private security officers, which was established by the 1995 Legislature ($960,000). The primary revenue source for fire service training is dedicated funds from fire insurance premium taxes ($1.5 million). Revenue for the tele-communicators and emergency medical dispatchers training programs comes from 911-telephone tax ($228,216). This tax will sunset December 31, 2001. A traffic safety grant ($75,000) from the Oregon Department of Transportation is expected to continue in 2001-03 and it is used to fund a traffic safety training coordinator.

Federal Funds ($160,000) from the Federal Emergency Management Association (FEMA) are expected in 2001-03 to fund training for local emergency personnel related to domestic terrorism. Since 1995-97, Federal Funds from the U.S. Department of Justice were provided to DPSST for the Western Community Policing Center (WCPC). While DPSST remains active in the training delivery and Advisory Board of WCPC, the fiscal oversight was transferred to Western Oregon University.

The Department is proposing to use Other Funds derived from the sale of certificates of participation to finance the planning, project management, land acquisition, and construction of a new core training facility.

Budget Environment and Performance Measures

Continued growth in Oregon population has created more demand for public safety services. To meet the demand, DPSST has adopted very aggressive timelines to remedy facilities and staffing shortfalls and has established strategies for alternative and regional delivery of training. DPSST currently has about 32,000 constituents and, based on Oregon labor market information and the Employment Department's occupational projections, the number of constituents is expected to grow to 18% or nearly 38,000 by the year 2008. Over 86% of the projected growth is in three areas—private security/investigators (49% or 2,829 students), correctional officers/jailers (19% or 1,110 students), and fire fighters (18% or 1,054 students). Law enforcement students are projected to increase by 654, or about 11percent.

The private security/investigators certification increases are being driven by business service growth trends and observed growth in the number of commercial and residential districts that are supplementing public police protection services through contracts with private security organizations. The corrections training increases are being driven by construction of new county jails and state prison facilities due to passage of Ballot Measure 11

(1994), Senate Bill 1145 (1995), and House Bill 3488 (1996). Based on a recent corrections training audit, several new classes are also being developed and will be included in the basic corrections training. There is potential for parole and probation training increases based on a job-task analysis that is currently being completed, but the number of constituents is not expected to grow significantly. Fire service training increases are being driven primarily by the newly adopted Oregon Wildland-Interface Firefighters standard and adoption of other national fire service standards. The increase in basic police training is being driven by plans to fully implement the 16-week training course, retirements, and demand for more officers at the city and county levels. The 1997 Legislature mandated that DPSST expand the basic police training course from eight to 16 weeks, however, due to staffing, management, and facilities concerns, this has not been fully implemented. To address these workload increases, the Department developed a strategic business plan. The plan will augment the role of the core training academy. It calls for the establishment of regional skills-based training sites; the accreditation of training that is offered by other agencies and providers; self-directed training using distance learning and other technologies; and equivalency credit based on prior training and experience.

The 1999 Legislature directed DPSST to work with DAS to evaluate the cost effectiveness of continuing to lease 79,043 square feet space on the Western Oregon University campus; to develop a facilities plan; and to identify all law and funding policy changes necessary to implement the 16-week basic police-training program in 2001-03. A progress report on the facility planning process was provided to the Emergency Board and it indicated that, based on a facility needs assessment study, a new 328,323 square feet academy should be sited on approximately 165 acres. The Emergency Board directed the Department to evaluate ways to reduce the size and number of building and site components through increased reliance on alternative training methods, regional training delivery, and use of shared facilities; to continue their efforts to reduce the overall project costs; and develop facility phase-in scenarios, starting with a minimally adequate facility. The intent was to provide policy makers with affordable options to choose from when more is known about 2001-03 revenue estimates and statewide budget priorities. DPSST sent out a Request for Siting Proposal in an effort to identify parcels of land that could be used for a new public safety academy. Twelve communities and the Department of Corrections identified sites for consideration. DPSST is further evaluating seven Willamette Valley sites and plans to provide a progress report and a request for site acquisition and construction funding to the 2001 Legislature.

The Portland Police Bureau advised DPSST that it was moving forward with plans to provide its own basic, supervisory, management, senior executive, and in-service police training without use of DPSST’s core academy or CFAA revenue. The City of Eugene also has notified DPSST that it is planning to provide its own basic training when the number of new hires makes it cost effective. If either or both of these jurisdictions opt out of using all or part of DPSST facilities, the amount of program / bed space needed in DPSST’s facilities development plans could be significantly reduced. Pending policy decisions about whether OSP will train future recruits at a core academy could also significantly increase DPSST’s program / bed space needs.

An adjustment to the CFAA distribution formula established in law and authority to use agency carryover funds will be necessary to fund construction and operation of a core training academy, delivery of a 16-week basic police training program, improvements to the network of regional training facilities, development of distance learning capabilities, and for various other components of the strategic business plan. The Governor’s Office has established a work group, which includes legislators, that has reviewed the uses of CFAA revenues and is in the process of developing a legislative concept that would modify the distribution formula to meet DPSST’s funding needs.

DPSST, the Department of State Police, and the Office of the State Fire Marshal have concluded that an inadequate amount of revenue is being derived from a one-percent assessment on premiums paid by homeowners and businesses for fire insurance. These agencies have expressed interest in finding out whether the industry will support an increase in the fire insurance premium tax to fund fire service training and arson investigation activities.

DPSST has monitored its performance during 1998 and 1999 by collecting workload data in the following four key categories:

- The number of students enrolled in various training courses. The data shows the overall number of students enrolled in various academy-based training courses has increased by 8% (1,740 to 1,881). Three categories experienced increases (Police, Telecommunications, and Executive / Supervision) and three areas experienced decreases (Campus Public Safety, Corrections, and Police / Corrections Career Development). The decreases were due to hiring fluctuations.

- The number of students trained through regional, specialized, and advanced courses. The number of students trained through regional specialized and advanced courses also decreased by 30% (5,642 to 3,923). DPSST reports that this service reduction was, in part, due to temporary decreases in the amount of grant funds available for this type of training.
- The number of law enforcement certification applications processed; the number of fire departments receiving accreditation (new or renewal); the number of training classes provided for fire service professionals; and the number of fire service professionals obtaining initial certification. In 1999, DPSST increased the number of certification / accreditation applications that it processed for law enforcement, fire service personnel and fire departments.
- The number of certified private security officers. In 1999, there was a slight decrease in the number private security officers certified, since a backlog caused by program start-up was eliminated.

Governor's Budget

The recommended budget of $26.6 million is $9.9 million (60%) higher than 1999-01 estimated expenditures. The proposed budget reduces the amount of revenue transfer to DPSST from the Department of Revenue by $2.2 million and leaves DPSST with a $2 million ending balance, which represents approximately two months of operating funds for most programs. The recommended budget continues the basic police course at 10 weeks through the 2001-03 biennium, provides debt service funding for construction of a core training facility, and assumes adoption of three revenue-related legislative proposals. The proposals modify the distribution of CFAA revenues; increase the Fire Insurance Premium Tax; and continue the 9-1-1 telecommunications tax. The Governor's recommended budget funds the programs at levels indicated in the table below:

Program Area	OF	FF	Total	Positions (FTE)
Criminal Justice Training/Certification	23,064,806	160,000	23,224,806	93.0
Fire Training/Certification	1,587,582	50,000	1,637,582	9.0
Private Security	1,025,780	-	1,025,780	6.0
Public Safety Memorial Fund	517,500		517,500	0.0
Capital Construction	170,262		170,262	1.0
Total	26,365,930	210,000	26,575,930	109.0

Specifically, the budget:

- Adds $5.4 million Other Funds for debt service on COPs to be sold for construction of a new core training facility.
- Adds $500,000 Other Funds to establish the regional coordinator positions (2.25 FTE) and to purchase a skid car to be used in regional training.
- Adds $354,676 Other Funds to establish four positions (4 FTE) to expand distance learning capabilities.
- Adds $200,000 Other Funds for production of distance learning materials.
- Adds $170,262 Capital Construction Other Funds to establish a project manager (1 FTE).
- Adds $150,000 Other Funds for a traffic safety coordinator position (1 FTE) with a grant from the Department of Transportation.
- Adds $75,130 Other Funds and one training position (0.50 FTE) to prepare for implementation of the 16 week basic police training course in 2003-05.
- Adds $50,000 Federal Funds to provide training to fire service professionals with a FEMA federal grant.
- Reduces $1,283,660 Federal Funds and $50,000 Other Funds to reflect the transfer of administration of two federal community-policing programs to Western Oregon University.
- Reduces $1,190,100 Other Funds based on a more accurate projection of the number of student weeks that will occur during 2001-03.
- Reduces $250,000 Other Funds to eliminate a one-time special payment to DAS for facilities planning.
- Reduces $27,834 Other Funds based on a decrease in the number of private security background checks and redirects remaining freed up funds to cover costs to continue two limited duration office specialist positions (2 FTE) and cost reclassification costs for another clerical position.
- Shifts $547,921 Other Funds from Fire, Private Security , and the Public Safety Memorial Fund to the Criminal Justice program for central administrative costs.
- Shifts $90,787 Other Funds and one position (1 FTE) from the Private Security Program to an administrative position in the Criminal Justice program.

Department of State Police (OSP) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	147,111,520	167,149,931	182,441,092	175,305,120
Lottery Funds	0	3,303,064	3,219,856	3,416,271
Other Funds	58,714,684	63,587,818	63,591,856	71,256,288
Federal Funds	30,099,264	67,329,464	70,287,500	66,305,246
Nonlimited	84,995,919	70,142,870	65,294,117	65,594,117
Total	**320,921,387**	**371,513,147**	**384,834,421**	**381,877,042**
Positions (FTE)	1380.74	1466.59	1483.73	1396.19

Historic functions of the Oregon State Police (OSP) include patrol, criminal investigation, forensic lab services, and fish and wildlife law enforcement. Responsibilities expanded when the 1993 Legislature approved merger of the following into the Department: Boxing and Wrestling Commission, Emergency Management, Law Enforcement Data System (LEDS), State Fire Marshal, and accounting for the Arrest and Return of Fugitives. The 1995 Legislature expanded agency responsibilities further by adding two more functions, the Medical Examiner and Criminal Justice Services Division.

Governor's Budget

The Governor's budget of $381.9 million total funds is 2.8% above 1999-01 estimated expenditures. The General Fund and Lottery Funds budget of $178.7 million is a 4.9% increase ($8.3 million) from the 1999-01 estimated expenditures but is 3.9% ($6.9 million) below the amount needed to maintain current services. In summary, the Governor's budget reduces General Fund and Lottery Funds by:

- $7.3 million through the elimination of 96 patrol officer positions.
- $3.5 million through the elimination of 30 detective positions.
- $1.9 million through the elimination of 14 fish and wildlife officers. Other Funds revenue shortfalls will require the elimination of seven additional full-time positions.
- $0.6 million through the elimination of three forensic positions.
- $0.6 through delays in replacement of information systems hardware, reductions in overtime and software, and elimination of a management position.

The Governor's budget increases General Fund by:

- $2.8 million for increased rental costs related to offices, the new communication coordination center, and mountaintop repeater sites.
- $2 million to pay an educational differential based on an arbitration award.
- $1.2 million to continue 19 patrol officer positions since federal grant funds have expired.
- $0.8 million to pay debt service on the new communication coordination center.
- $0.6 million to continue two sworn and four non-sworn positions due to revenue shortfalls and changes to matching fund requirements.
- $0.5 million to continue four patrol positions used for commercial truck enforcement.

OSP – Patrol Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	60,064,218	68,991,441	79,944,680	75,865,225
Other Funds	8,461,045	9,005,498	8,722,256	9,172,182
Federal Funds	2,687,422	2,659,966	5,977,348	1,177,348
Total	**71,212,685**	**80,656,905**	**94,644,284**	**86,214,755**
Positions (FTE)	487.81	492.75	546.63	469.59

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 highways. Services include enforcement of the Motor Vehicle Code, Motor Carrier Regulations, Public Utility Commission Laws, Criminal Code, Fish and Wildlife Laws, and assistance to local agencies and the public.

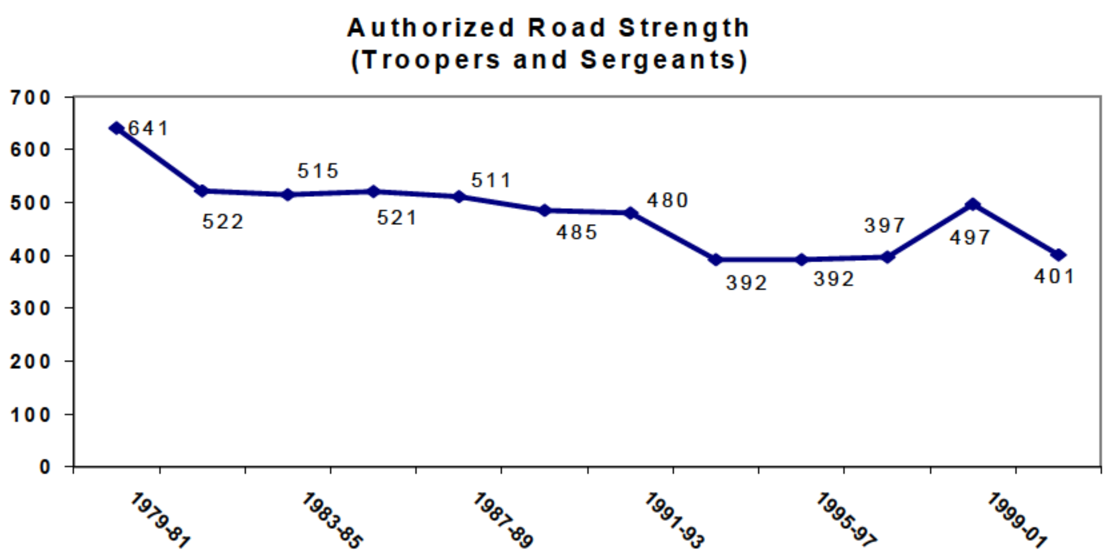
Revenue Sources and Relationships

Other Funds revenues are received from the Department of Transportation for traffic safety patrols in highway construction zones ($2.1 million); commercial truck inspections ($500,000); enforcement of the maximum speed limit and alcohol-related laws ($985,663) with a 25% match required; snow-park enforcement ($152,000), and DMV vehicle identification (VIN) inspections ($96,264). It also receives Unitary Fine and Assessment revenue from the Department of Revenue for truck enforcement ($669,797). Additional Other Funds sources are from: Oregon State University for campus security ($1.6 million); the Department of Administrative Services for Capital Mall Security ($971,700); Legislative Administration Committee for Legislative/Capital Security ($670,847); the Parks and Recreation Department for the Cadet Program ($656,875); the State Fair for security services ($129,721); and miscellaneous receipts ($437,219). Federal Funds are provided by the Corps of Engineers for park enforcement ($271,158) and the U.S. Forest Service for dunes enforcement ($129,265).

Federal Funds (COPS Ahead and COPS Universal Programs) have partially funded community policing positions by paying $25,000/year for three years of an officer's salary. COPS Ahead grants expired on June 30, 1998 and initial COPS Universal grants expired on June 30, 2000. In 1997-99, the Department received about $2.7 million. In 1999-01, the Department received about $2.2 million. The Department has been notified that it is eligible to receive up to $5.6 million in additional Federal Funds from the COPS Universal program. Of that amount, up to $4.5 million may be used in 2001-03 to pay $25,000 per year for the first three years of an officer's salary for up to 90 new patrol officers. After the first three years, the biennial General Fund cost to continue 90 new officers would be approximately $15 million. Overall, revenue forecasts for Other Funds are relatively flat and Federal Funds sources indicate that available funds may increase by up to $4 million, compared to the amounts estimated for the 1999-01 adopted budget.

Budget Environment and Performance Measures

Since 1980, Oregon has experienced increases in population (25%); licensed drivers (36%); registered vehicles (46%); and in vehicle miles driven (68%). However, the patrol road strength has declined from 641 to 497, or 23% below 1980 levels. The reduction has been due, in part, to the need to shift officers to address increases in criminal activity (violent crime, juvenile crime, drug activity, gang activity, crimes against children, hate and bias crime, and narcotics) and increased competition for limited General Fund resources. As a result of sworn staff reductions, most of the state is without 24-hour coverage, patrol areas have been expanded, some duties have been eliminated, response time has decreased, and officer safety has been reduced. The 1999 Legislature provided funding to phase-in 100 new patrol troopers with the newly authorized staff assigned based on the priorities established by the 1998 Community-Based Resource Gap Analysis. In July 2000, 25 new patrol officers started recruit school, and another 75 were scheduled to start recruit school in January 2001. The following table shows the authorized road strength over the last 10 biennia. The Governor's recommended budget would return patrol officer numbers to levels comparable to 1997-99.



It should be noted that from 1985 to 1997, when patrol officers were being reduced, the number of annual traffic accidents remained below the 1985 level (50,284). However, in 1998, the number of accidents reached 51,785, which is 3% above the 1985 level. In 1999, the number of accidents dropped again to 48,569, which represents a

6% reduction in one year. The number of persons killed in accidents also declined from 1990 to 1999 (from 579 to 413). The overall reduction in accidents and traffic deaths has been largely attributed to tougher drunk driving laws, vehicle/roadway improvements, advances in trauma care, and aggressive public information, which seem to have increased safety awareness and encouraged changes in driving behaviors. Other contributing factors include the fact that the state's population growth primarily occurred in incorporated areas; the number of city police officers has increased by 28% since 1985; and the number of sheriff's deputies has increased by 37% since 1985. The Department has taken actions to enhance Patrol efforts including the purchase of technology/equipment; consolidation of offices; use of non-sworn personnel; use of new enforcement strategies; use of federal grant funds; and development of policing partnerships.

The Department's most recent efforts to assess the adequacy of patrol strength involved collection of updated staffing and workload information. This information was used to finalize the 2000 Community-Based Resource Gap Analysis process. Based on this analysis, the Department reports that 240 additional patrol officers are needed statewide and 58 additional patrol officers are needed for the Portland freeway system. Subsequent to the 2000 Gap Analysis, the Secretary of State audit results were published. The audit concluded that several adjustments to the model should be made to make it a better predictor of actual resource needs. The Department generally agreed with the audit conclusions and is making improvements to data collection and staffing assessment methods. To support local public safety needs with existing resources, the Department has chosen to designate 24 traffic safety corridors and to deploy patrol staff using focused tactical plans.

Federal COPS Universal grant funds ended June 30, 2000 for 19 patrol positions, and the Department seeks shifting the cost of these positions to the General Fund at an estimated cost of $1.2 million. Policy decisions to be addressed by the 2001 Legislature will determine whether approximately $670,000 in Unitary Fine and Assessment revenue remains available in 2001-03 for various truck overtime enforcement activities. An Oregon State Police Officers Association arbitration award for educational differentials is currently on appeal. If the Department is required to make the payments during the 2001-03 budget period, it estimates that it will cost the Patrol Division an additional $2 million. A recent legal decision has raised policy questions about the ability of the Department to continue its use of Highway Funds for PUC Truck Enforcement activities. This decision may cause the Department to lose the use approximately $1.2 million in 2001-03 and put nine traffic enforcement positions at risk of being eliminated.

Between January 2000 and December 2004, approximately 182 sworn officers (department-wide) will be eligible to retire. There should, however, be some temporary overall salary savings when senior officers are replaced with recruits. The budget for patrol vehicles has not been adequate to cover the costs to replace all assigned vehicles in a timely and consistent manner. To address this shortage, the Department has assigned two officers to each car, with certain exceptions, and extended the miles on vehicles from 95,000 to 120,000.

The Patrol Division monitors its effectiveness through five key performance measures that capture data on:

- The costs associated with motor vehicle crashes. The data show that costs of 1999 accidents ($382.8 million) were reduced 17% when compared to 1998 levels ($460 million) and had returned to 1995 cost levels.
- The annual number of criminal offense cases cleared. The data show that 1998 criminal offense clearance rates (48%) were reduced by 16% when compared to 1996 rates (64%) and had returned to 1994 clearance rates.
- The number of persons killed in rural, state, and federal highway motor vehicle crashes. The data show that the number of persons killed in 1999 (193) was reduced by 29% when compared to 1998 (270).
- The number of persons injured in rural, state, and federal highway motor vehicle crashes. The data show that the number of persons injured in 1999 (4,805) were reduced by 2% when compared to 1998 (4,901) and were lower than the five previous years.
- The number of rural, state, and federal highway motor vehicle crashes resulting only in property damage. The data show that the number of 1999 accidents (3,539) resulting in only property damage was up 8% when compared to 1998 (3,273) and was higher than the previous five years.

Governor's Budget

The Governor's budget for Patrol Services is 6.8% higher than 1999-01 estimated expenditures and 9% below current service levels. It reduces Patrol Services by eliminating 96 of the 100 troopers approved in the 1999-01 budget period and includes a General Fund backfill to continue 25 positions that would be lost due to revenue reductions. Specifically, the budget reduces General Fund by:

- $7,271,418 and $4,800,000 Federal Funds to eliminate 96 patrol officers (96.25 FTE).

- $755,943 to adjust for under-filled positions.
- $118,083 and $23,689 Other Funds due to retirements in 2001-03, which will reduce personal services expenditures.

General Fund additions to the budget include:
- $1,172,961 to backfill 19 trooper positions (10.26 FTE) due to expiration of federal COPS universal grants.
- $1,124,464 and $99,216 Other Funds to implement an education differential included in an arbitration award effective January 1, 2001.
- $488,718 for four troopers (4 FTE) and $380,366 Other Funds for three additional troopers (2.95 FTE) to restore positions dedicated to commercial truck enforcement. Other Funds support is contingent upon passage of a legislative proposal to modify the distribution of CFAA revenues.
- $368,472 to backfill two existing sworn sergeant positions (2 FTE) that would otherwise be eliminated due to a corresponding reduction in the amount of Criminal Fines and Assessment revenues transferred from DPSST.

OSP – Criminal Investigative Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	18,862,166	19,690,587	20,777,171	17,271,002
Other Funds	3,472,691	4,148,895	3,257,951	3,012,165
Federal Funds	359,894	1,070,951	934,796	1,175,704
Total	**22,694,751**	**24,910,433**	**24,969,918**	**21,458,871**
Positions (FTE)	145.75	151.16	140.15	113.40

Program Description

The Criminal Investigative Services Division augments and supports local law enforcement through investigation of major crimes, the pursuit and apprehension of criminal offenders, and the gathering of evidence. Specialized units include arson/explosives, drug investigations, intelligence, missing children clearinghouse, polygraph examinations, sex offender registration, sexually exploited children, homicide incident tracking system (HITS), computer crimes, and gang enforcement. Detectives are currently participating in 36 county child abuse multi-disciplinary teams; 29 interagency major crime teams; 24 individual drug investigative teams; 17 arson task forces; and 10 district attorney investigative support teams.

Revenue Sources and Relationships

The State Fire Marshal transfers funds for arson/bomb investigations ($1.76 million). The Department of Human Services transfers funds for Social Security and disability fraud ($584,193) and for a child fatality review team position ($146,264). Marijuana eradication funds are received from the Bureau of Land Management ($160,781), U.S. Forest Service ($79,642), and the Department of Justice ($36,382). The Office of National Drug Control Policy provides $1.4 million for High Intensity Drug Trafficking Area activities. The Federal Drug Enforcement Administration funds drug task forces ($264,110), and other federal grants ($100,000) support arson investigations. Federal and state drug seizures fund positions and enforcement expenses ($470,088). The Construction Contractor's Board provides funds for construction fraud investigations ($235,341), and miscellaneous charges/receipts are expected to generate about $559,451. Sex offender registration fees are expected to provide $206,516. The authority to charge a $70 fee for registering sex offenders is scheduled to sunset July 1, 2002.

Marijuana eradication revenues transferred from the U.S. Department of Justice (for state and private lands) are expected to increase by 9.3%, while Federal Funds for this program from the Bureau of Land Management and the U.S. Forest Service are expected to remain flat. Federal and state related drug seizures are expected to decrease by approximately $1.1 million, reducing funding available for overtime, confidential expenses, and acquisition of equipment. Other Funds from the Fire Marshal for arson activities and Health Division funds for child fatality review team activities are not expected to increase above 1999-01 levels. Overall, projected Other Funds and Federal Funds revenue is expected to decrease from $5.2 million to $4.5 million (an 11% decrease). Most of the revenue decrease is due to reduced federal drug seizures and the fact that sex offender registration funds collected have only met 37% of need.

Budget Environment and Performance Measures

The number of documented gang members has increased from 665 in 1988 to 4,066 as of December 1999. Juveniles represent 406 or 11% of the total. Projected growth in prison populations is putting increased demands on detectives investigating felony crimes within institutions. The number of child abuse incidents has increased 18% from 10,286 in 1990 to 12,128 in 1997. To keep up with this demand, the Department has had to utilize Patrol troopers. Changes in federal laws relating to sex offender registration have significantly increased workload for the Department. In 1999 there were approximately 3,400 registered sex offenders. The Department projects that there will be approximately 10,665 registered offenders by 2001. The demand for drug enforcement activities remains high since Oregon is ranked in the top 10 in the United States for methamphetamine lab seizures and ranked second in the nation for the number of indoor marijuana grow seizures. Additionally, drug related deaths have more than doubled in the last seven years (from 100 in 1992, to 246 in 1999). In 1998, three Oregon counties (Deschutes, Marion, and Jackson) were designated as high drug trafficking areas and are receiving Federal Funds to increase drug enforcement activities.

Crime decreased 5.6% in 1999 when compared to 1998, and crimes increased in only 5 of the 36 counties. Overall, crimes against persons decreased 5.7%; crimes against property decreased 8.2%; and behavioral crimes decreased 1.7 percent. Consistent with the 5.6% overall reported crime decrease (from 455,979 to 430,415) between 1998 and 1999, the number of arrests decreased 7.5% (from 171,588 to 158,802).

Based on the Department's Resource Gap Analysis process, 32 additional investigative sworn personnel are needed. Due to reduced sex offender registration revenue collections, reduced Federal Funds from drug seizures, and demands for existing fire insurance premium revenue, the Department may need to pursue General Fund support for the 2001-03 biennia. The Department has an appeal pending on a recent OSPOA arbitration award, which requires payment of educational differentials. If the Criminal Services Division is ultimately required to pay this benefit, it will require approximately $360,000 additional General Fund during the 2001-03 budget period. Department of Justice recommendations on the best way to provide consumer protection from construction fraud will have a significant impact on the amount of Construction Contractor's Board revenue available for investigative activities.

The Investigative Services Division monitors its effectiveness through two key performance measures that capture data on the rate that major crimes are resolved and the time required for data entry of mandated records into the violent crime support databases. The data shows that over the last four years 67 to 70% of major crimes are resolved and that the days for data entry have increased from two to seven days.

Governor's Budget

The Governor's recommended budget of $21.5 million for Criminal Services is 13.6% lower than 1999-01 estimated expenditures and 14% below current service levels. It significantly reduces investigative services. Specifically, the budget reduces General Fund by:

- $3,487,585 and eliminates 30 detective positions (30 FTE) to meet the Governor's budget reduction targets. This eliminates a gang unit and reduces agency involvement in multi-disciplinary teams that focus on drug enforcement and major crimes. It will require local law enforcement to assume greater responsibility for criminal investigations.
- $221,432 to adjust for under-filled positions.
- $102,633 and $104,745 Other Funds due to retirements during 2001-03.
- $19,278 to phase-out charges for LEDS terminals.

General Fund additions include:

- $306,922 and $52,544 Other Funds to implement an education differential based on an arbitration award.
- $10,615 to restore services and supplies reductions initially made to finance position reclassifications. Administrative Specialist and Office Manager positions are established with funds freed up by abolishment of a sworn detective position.

Other Fund and Federal Funds reductions include:

- $659,793 Other Funds and two positions (2 FTE) based on anticipated revenue reductions resulting from passage of Ballot Measure three.
- $417,969 Other Funds and four positions (4 FTE) due to insufficient sex offender registration fee revenue. If authority to collect a registration fee is not extended, an additional two positions (2 FTE) and $174,998 Other Funds will need to be reduced.

- $578,682 Other Funds and four positions in arson and explosives units due to shortfalls in fire insurance premium tax revenues.
- $500,000 Federal Funds due to anticipated shortfalls in federal asset forfeiture revenues.
- $230,457 Other Funds and two positions (2 FTE) to phase-out positions that provided investigative support services to the Interim Construction Contractor Fraud Unit operated under the direction of the Department of Justice.

Other Funds and Federal Funds additions include:

- $240,908 Federal Funds and two limited duration positions (2 FTE) to support the High Intensity Drug Trafficking Area program. The HIDTA director's salary is adjusted to the level approved by the U.S Department of Justice.
- $245,635 Other Funds to continue the tobacco enforcement program with funds transferred from the Department of Human Services.
- $45,575 Other Funds and two limited duration positions (0.25 FTE) to support an interagency agreement with the Department of Human Services to investigate Social Security disability fraud until September 30, 2001.

OSP – Forensic Services and Medical Examiner's Office

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	18,145,387	21,450,959	23,739,589	23,443,092
Other Funds	6,783,137	7,895,979	8,341,532	9,499,758
Federal Funds	1,222,241	160,534	0	0
Total	**26,150,765**	**29,507,472**	**32,081,121**	**32,942,850**
Positions (FTE)	166.05	196.34	194.87	206.87

Program Description

The Forensics Services Division is comprised of Forensic Laboratories, Identification Services, and an Implied Consent Unit. The Division provides scientific, technical, and investigative support to all criminal justice agencies through forensic analysis and compilation of criminal offender information. Seven forensic labs are located in Bend, Central Point, Coos Bay, Ontario, Pendleton, Portland, Salem, and Springfield. A DNA Unit is also located in the Portland Lab. The Identification Services Section is located in Salem and is comprised of Latent Prints, Questioned Documents, Criminal History, Regulatory Compliance, Automated Fingerprint Identification System, and Firearms programs. The Implied Consent Unit is also located in Salem, with regional staff located in Pendleton and Central Point Laboratories.

The Medical Examiner's Office is located in Portland and provides technical assistance and supervision to 36 county offices, directs investigations, provides direct professional services (autopsies, court testimony, case review, and consultation), and certifies the cause and manner of all investigated deaths. The Office maintains records and provides training lectures on death investigations to medical school physicians and students, law students, police officers, and emergency medical technicians. The Office also provides proportional payments (up to 50% of the costs) for autopsies required in counties with less than 200,000 population.

The Governor's recommended budget for the programs under this budget unit is as follows:

Program Area	GF	OF	FF	Total	FTE
Forensics Services	21,121,401	9,475,698	-	30,597,099	199.87
Medical Examiner's Office	2,321,691	24,060	-	2,345,751	7.00
TOTAL	**23,443,092**	**9,499,758**	**-**	**32,942,850**	**206.87**

Revenue Sources and Relationships

Other Funds revenue sources include the fees for: Open records checks of criminal histories ($2.4 million); fingerprints checks of educators ($1.4 million); Concealed Handgun Permits; Measure 5 (November 2000) gun show background checks ($798,392); Instant Check of handgun purchases ($625,987); record checks for the Employment Department ($100,217) and the Board of Investigators ($9,600); medical examiner fees for autopsy reports ($16,636); and miscellaneous receipts ($146,951). Other Funds are also received from the Unitary Assessment to fund forensic bench chemists ($3 million) and Traffic Safety Grants fund a drug recognition expert position in Training. Federal Funds ($103,918) are expected from the Department of Justice through Byrne Grants (25% match) and local law enforcement grants (10% match). Other Funds and Federal Funds revenue is expected to remain approximately the same as projected for the 1999-01 Legislatively Adopted Budget.

Budget Environment and Performance Measures

Several environmental factors are contributing to the current growth in requests for forensic services. Specifically, they are the growing population; the strong economy; advancements in forensic science; increased public awareness of the value of forensic analysis; judicial expectations that forensic evidence be provided; and improved training of police officers in the identification, collection, and preservation of forensic evidence.

The average monthly evidence submissions to this Division were 2,798 from June 1999 to June 2000. This represents an 8% increase when compared to the 2,586 average that existed for the June 1998 to June 1999 period. Additionally, the average time necessary to process evidence submissions increased to nearly 31 days as of June 2000 despite the fact that the 1999 Legislature approved a 30 FTE increase for this Division. This turn around time increase represents a 40% increase when compared to the 22 day average that existed as of June 1999. Review of the turn around time data shows that processing time increases occurred in 10 of 14 categories. The most significant processing time increases occurred in three evidence submission categories as follows: Latent Prints - 19 to 42 days; Primary Examination Latent Prints - 25 to 71 days; and Questioned Documents – 18 to 61 days. The Department has established an average turn around time goal of 15 days, which does not appear realistic with existing staff and workload.

The demand for forensic services is expected to grow as cities, counties, and the state add more police officers and as DNA-based evidence analysis systems are expanded and improved. Over 90% of the forensic analysis are performed for cities and counties. Total Oregon sworn personnel are projected to grow by about 6% (365 officers) through July 2003. This growth will create additional demand for forensic services. There also could be significant increases if efforts to more fully utilize forensic evidence to solve crimes succeed. Currently, less than 10% of approximately 100,000 annual crime scenes are being processed for forensic evidence. Overall requests for forensic analysis are increasing at an average rate of 6% per year, while requests for DNA analysis are increasing at 10 percent. District Attorney staff recently committed to inform OSP labs in a timely manner of cases that are rejected for prosecution or disposed of by plea bargain, diversion, or dismissal; to streamline the ability to the lab to communicate with assigned staff; and develop procedures to ensure that only necessary evidence is submitted for analysis. The full impact of this agreement is not known at this time, but it is expected to eliminate the need for some blood, urine, and drug analysis work and make more efficient use of limited forensic resources.

The Department has worked with the Department of Administrative Services (DAS) and has identified a site in the Portland area for construction of a facility to house the Portland crime lab and the Medical Examiner's Office. The Portland crime lab is on a month-to-month lease, since the Portland Police Bureau plans to reclaim the space as soon as an alternative lab space can be located or constructed. The Medical Examiner is operating in an outdated and inadequate facility owned by Multnomah County. DAS is planning to request funding for construction of the facility from the 2001 Legislature.

The 1999 Legislature continued funding for 13 of 24 evidence lab technicians when a COPS More federal grant expired on September 30, 1999. Nine of the 24 positions were eliminated due to limited General Fund resources and the desire of Legislative Leadership to prioritize the phase-in of 100 new Patrol trooper positions. Loss of these nine non-sworn positions has caused a reduction in the number of field investigations completed; prompted some of the duties to be shifted back to sworn officers; and has caused latent print backlogs and turn around times to increase.

The workload for the Medical Examiner's office continues to increase, due to the continuing growth in Oregon's population. In 1998, there were 29,346 deaths compared to 26,000 in 1992. Consequently, the number of Medical Examiner cases has increased, but the percentage remains consistent at approximately 12% of all deaths that occur. The office has seen significant increases in the number of drug related and accidental deaths. In 1998, there were 235 drug-related and 1,361 accidental deaths compared to 100 and 903, respectively, in 1992. Reduced levels of county funding, coupled with scope of practice changes and retirements of local forensic specialists, are likely to cause more work to be shifted to the state medical examiner program. This trend is expected to continue in 2001-03. The Medical Examiner contracts with Oregon Health Sciences University for toxicology testing and the costs for this contract have increased over the last several biennia. Through 1999-01, OHSU has absorbed the cost increases but now indicates that it is no longer able to do so. Based on historical workload, the Department is expecting contract costs to exceed budgeted funds by approximately $125,000.

Based on the Department's Resource Gap Analysis process, 20 additional forensic positions are needed. Policy decisions by the 2001 Legislature will determine whether unitary assessment revenue will continue to be available to fund forensic bench chemists ($3 million) and Traffic Safety Grants for Drug Recognition Expert positions.

The Forensic Services Division monitors both customer services satisfaction and analysis turn around times. Based on survey information, customers remain very satisfied with the quality of work performed, but would like to see faster turn around times. Based on lab system data measuring the length of time necessary between receipt of a request and analytical report completion, the average turn around time is 30 days. The goal is to reduce the turn around time to 15 days.

Governor's Budget

The Governor's recommended budget of $32.9 million reflects a 11.6% overall increase from 1999-01 estimated expenditures. The budget maintains Medical Examiner Services at the current service level and enhances Forensic Service capability. A total of 11 new forensic positions (9.74 FTE) are added. Specifically, the budget reduces General Fund by:

- $550,000 and eliminates three positions (3 FTE) to meet the Governor's reduction targets.
- $145,003 and $28,901 Other Funds in anticipation of sworn officer retirements.
- $63,955 and $103,918 Federal Funds to eliminate 2.26 FTE due to the phasing out of federal COPS Universal grants supporting 15 lab technicians.
- $32,922 and $6,426 Other Funds to phase-out charges for LEDS terminals.

General Fund additions to the budget include:

- $432,008 and $13,084 Other Funds to implement an education differential based on an arbitration award.
- $1,964 to restore services and supplies reductions made to pay reclassification costs.

Other Funds changes to the budget include:

- $28,091 reduction based on updated workload projections from the Teacher Standard and Practices Commission.
- $798,392 Other Funds increase and 10 positions (10 FTE) to implement Ballot Measure 5 regarding gun show background checks.
- $410,168 increase and five permanent positions (5 FTE) for workload growth in Identification Services. These positions are funded with fee revenue.

OSP – Fish and Wildlife

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,379,559	5,805,187	6,279,495	4,907,407
Lottery Funds		3,303,064	3,219,856	3,416,271
Other Funds	14,604,498	13,563,579	13,448,384	12,374,279
Federal Funds	489,196	177,847	364,648	286,674
Total	**19,473,253**	**22,849,677**	**23,312,383**	**20,984,631**
Positions (FTE)	133.08	129.99	122.74	114.08

Program Description

The primary mission of Fish and Wildlife enforcement is to assure compliance with laws that protect and enhance the long term health and equitable utilization of Fish and Wildlife resources. The officers also routinely enforce traffic, criminal, boating, livestock, and environmental laws.

Revenue Sources and Relationships

This Division receives its primary funding from the Department of Fish and Wildlife (ODFW) ($10.9 million) based on fish and game license fees. Historically, 28.4% of these revenues have been provided to the State Police. In 1999-01, only 17% of the ODFW license revenue was transferred to the Department for the enforcement contract. The Division is also expecting to receive $3.4 million in Ballot Measure 66 Lottery Funds, which is about the same as received during the 1999-01 budget period. The Marine Board provides funds ($1,371,950) for enforcement of boating laws and charters/guides enforcement. The Parks Department partially funds ($235,985) Deschutes River enforcement. The Department of Environmental Quality partially funds ($204,131) environmental investigations. Federal Funds that have been provided by the Bonneville Power Administration (BPA) for protection of endangered species in the Columbia River have been discontinued. The Corps of Engineers continues to provide funds ($286,674) for a variety of fish and wildlife issues. Overall, Other and Federal Funds revenue are expected to remain at the same level included in the 1999-01 legislatively adopted budget.

Budget Environment and Performance Measures

As a result of the 1999 Legislative session, fish and wildlife enforcement was more secure and stable than at any time in the last twenty years. This was primarily due to the appropriation of General Fund and Ballot Measure 66 Lottery Fund revenue and to the establishment of a separate line-item appropriation for Fish and Wildlife Services. However, in 2001-03, the Division is faced with significant position roll-up costs at a time when it will receive inadequate revenue transfers from several sources. Specifically, the revenue shortages and positions impacts are as follows: ODFW ($0.8 million - 6 positions); the Marine Board ($0.4 million - 3 positions); and Ballot Measure 66 Lottery Funds ($1.2 million - 8 positions), coupled with elimination of the Clackamas/Sandy River Stewardship Fund ($180,000 - 1 position). In total, these revenue reductions may prompt reduction of 18 officers. The Department is interested in obtaining up to a $2.5 million General Fund backfill to address these revenue shortages.

The increasing human population is creating greater demands for fish and wildlife enforcement and protection services at a time when reduced license and tag revenues are being transferred from ODFW. The Division's budget was 75% funded from ODFW transfers in 1981-83. In 1999-01, ODFW provided only 45% of the Division' s funding. As a result of ODFW funding reductions, General Fund and Lottery Fund support has increased to 37% of the total Division budget in 1999-01. The actual biennial dollar amount of ODFW revenue transferred to the Division has not changed significantly since 1981-83. It still remains at about $11 million. In the meantime, the amount of biennial ODFW license and tag revenue has increased by 94% (from approximately $32 million in 1981-83 to $62.2 million in 1999-01). Since 1981-83, the percent of ODFW license/tag revenue transferred to the Division has decreased from about 28% of the total to 17% in 1999-01, which equates to a $6.5 million loss of Other Funds for OSP enforcement activities.

The increasing population will also create greater demands for recreational use of parks, waterways, wilderness areas, and public lands. This will require further regulation and restriction on the usage of these resources with accompanying demands for law enforcement to ensure compliance.

There were about 812,000 Oregonians with hunting and fishing licenses in 1999, down more than 180,000 from the 20-year peak in 1980. Since 1980, the portion of the resident population purchasing licenses has declined from 38% to 25 percent. The change is primarily due to population growth in urban areas, static or declining rural populations, aging of the baby boom generation, declines in game population, use of a lottery tag system in Eastern Oregon, and habitat loss.

The Division monitors its effectiveness through the collection of statistics that measure rates of public compliance with licensing requirements and salmon/steelhead resource protection laws. License compliance rates during the last four years have very little variation, ranging from a high of 97% (in 1996, 1997 and 1998) to a low of 93% (in 1999). Protections law compliance rates during the last five years have also had very little variation, ranging from a high of 91% (in 1997 and 1998) to a low of 88% (in 1995 and 1999). The primary strategies to increase compliance include education, cooperative/collaborative planning, partnerships, and enforcement.

Governor's Budget

The Governor's recommended budget of $21 million for Fish and Wildlife Division reflects an 8.2% overall decrease from the 1999-01 estimated expenditures and a 10% reduction from current service levels. It eliminates 21 full-time and 15 seasonal sworn positions (25.66 FTE). Specifically, the budget reduces General Fund and Lottery Funds as follows:

- Reduces $1,051,697 Lottery Funds and eliminates seven sworn positions (7 FTE) due to Measure 66 revenue shortfalls.
- Reduces $943,246 General Fund to eliminate seven sworn positions (7 FTE).
- Reduces $222,659 General Fund and one position (1 FTE) to transfer a King Air pilot to Human Resources.

- Reduces $130,887 General Fund to adjust for under-filled positions.
- Reduces $123,632 General Fund and $23,581 Other Funds in anticipation of retirement of sworn officers in 2001-03.

General Fund and Lottery Funds additions to the budget include:
- $48,336 General Fund, $59,128 Lottery Funds, and $74,856 Other Funds to implement an education differential based on an arbitration award.

Other Funds and Federal Funds reductions include:
- $1.5 million Other Funds and 15 sworn seasonal positions (4.66 FTE) that have not been used in recent biennia for enforcement contracts.
- $1,193,527 Other Funds and seven positions (7 FTE) due to Department of Fish and Wildlife revenue shortfalls and elimination of private funds for an officer on the Clackamas and Sandy rivers.
- $77,974 Federal Funds based on the decision to sell the Department's helicopter.

Other Funds additions include:
- $398,697 to maintain three positions (3 FTE) based on an increase in the amount transferred by the Marine Board.

OSP – Human Resource Services, Training, and Criminal Justice Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	25,576,942	26,048,335	25,123,891	26,769,330
Other Funds	1,732,699	1,632,789	1,675,928	2,876,887
Federal Funds	19,992,333	55,863,438	56,097,517	56,198,129
Total	**47,301,974**	**83,544,562**	**82,897,336**	**85,844,346**
Positions (FTE)	134.73	157.25	153.00	154.13

Program Description

The ***Human Resource Services Division*** provides direction and logistical support for command staff at Headquarters, Districts, and Stations. It includes the Office of the Superintendent; the Budget Director, labor relations, research and development, the Arrest and Return Program, and other agency-wide support and standard setting efforts. The ***Training Division*** recruits, selects, and retains the sworn workforce. Additionally, it provides training and education to all Department employees, coordinates the Citizen Volunteer Program and provides oversight of the OSP Reserves Program. The ***Criminal Justice Services Division*** provides advice to the Governor on criminal justice policies and administers federal grant programs. The Governor's recommended budget for the programs under this budget unit is as follows:

Program Area	GF	OF	FF	Total	FTE
Human Resources	24,136,205	894,181	100,712	25,131,098	128.00
Training	2,633,125	1,682,706	-	4,315,831	16.13
Criminal Justice Services	-	300,000	56,097,417	56,397,417	10.00
TOTAL	**26,769,330**	**2,876,887**	**56,198,129**	**85,844,346**	**154.13**

Revenue Sources and Relationships

The General Fund supports the majority of the Human Resource Services costs. The Department of Public Safety Standards and Training (DPSST) provides Training Division Other Funds, based on assessment of fines made on all arrests and bails paid in lieu of fines, to partially pay training expenses ($1.6 million). Prior to 2001-03, the Oregon Department of Fish and Wildlife has provided Other Funds to assist with space rental for Fish and Wildlife enforcement personnel ($840,039). The agency plans to sell a King Air airplane to derive approximately $800,000 Other Funds and use the revenue to cover two biennia operating expenses for the remaining King Air. Federal Funds for the Criminal Justice Services Division programs are derived from Department of Justice (DOJ) Byrne Grants ($56 million). Certain DOJ grants have cash match requirements.

Budget Environment and Performance Measures

Reductions in the amount of OFDW Other Funds transfer will cause elimination of approximately $840,000 in revenue that has been used to offset rental expenses. Attorney General and field office rental costs have not been fully funded and the Department believes that its base budget is approximately $2 million short in these expense areas. The Department plans to get Legislative approval to shift the Arrest and Return Program transferred to the Department of Administrative Services. This program is run at a General Fund cost of $717,514 per biennium. The Department plans to pursue legislative authority to use funds derived from the sale of certificates of participation to finance approximately $9 million in furniture and equipment for programs scheduled to move into the new emergency coordination center; to replace forensics lab equipment, and to purchase two fire arms training systems. This proposal would require approximately $1.3 million in General Fund support during 2001-03 to cover debt service obligations.

DPSST revenue is expected to increase by about 2.8% in 2001-03 and provide a total of $1.6 million for Training Division services. At this funding level, the Department may need to eliminate two positions. The Department anticipates increases in recruitment and training as the result of an estimated 47% retirement-based attrition rate that started in 1996 and will continue until 2005. Significant recruitment efforts will be required to ensure a sufficient number of qualified applicants are identified and selected. Training and workforce development will be critical to ensure that organizational knowledge, skills, and abilities compensate for the years of experience the Department will be losing through retirements.

The Criminal Justice Services Division will be administering and coordinating 12 programs involving over $56 million. In 1995-97, when it was first established, it only managed three grants involving about $12 million. The Criminal Justice Services Division's role has also grown from a pass-through agency to a grant management agency involved in providing central information to various components of the criminal justice community, as well as coordinating activities related to applications, reporting, monitoring, and program evaluation. Approximately 80% of the grant funds are passed through to county, city and non-profit organizations. The Federal Funds expected to be available for use in 2001-03 is $56 million, which is essentially the same as included in the 1999-01 legislatively adopted budget.

The Human Resources Division collects data in three key categories to monitor its performance in completing strategic cooperative policing agreements with counties; limiting the number of work related time loss injuries; and the chargeable accident rate. The data show that as of December 1999, 30 out of 36 counties had completed strategic planning; the number of time loss claims per 23,000 work days has increased significantly since 1997; and that the accident rate per 12,000 miles as of December 1999 is approximately the same as it was in December 1997. The Training Division collects data in one key category to monitor its performance in providing work-related training and education to the Department's employees. The data show that between July 1, 1999 and March 1, 2000, 70% (852 of 1,142) of full-time employees had received a minimum of 20 hours of training. The Criminal Justice Services Division provides assistance and grant funds that help jurisdictions meet goals related to 13 different Oregon Benchmarks.

Governor's Budget

The Governor's recommended budget essentially maintains the same level of services as approved for 1999-01. The 2.8% overall budget increase from 1999-01 estimated expenditures is primarily due to rental cost increases and debt service costs to purchase communication equipment. The budget reduces General Fund by:

- Transferring $717,514 General Fund, $30,457 Other Funds, and one position (1 FTE) in the Arrest and Return of Fugitives program to the Department of Administrative Services.
- $400,000, eliminating one management position (1 FTE).
- $189,301 in anticipation of the retirement of sworn officers in the 2001-03 biennium.

General Fund additions to the budget include:

- $1,772,846 for rental costs for offices located in privately owned space throughout the state.
- $818,044 to pay debt service costs and $94,181 Other Funds to pay financing costs related to the sale of $2.9 million in certificates of participation for emergency coordination center and dispatch equipment.
- $222,659 based on the transfer of a King Air pilot position (1 FTE) from Fish and Wildlife Division to Human Resources.
- $124,552 and one position (1 FTE) to transfer an information systems position from Information Communications Management Division (ICMD). An identical reduction is made in ICMD to complete this transfer.
- $1,136 to implement an education differential awarded by arbitration and effective January 1, 2001.

Other Funds and Federal Funds changes include:

- $800,000 Other Funds are added based on plans to sell the second King Air in February 2002. These funds will be used to cover operating costs of the remaining King Air over two biennia.
- $268,158 Other Funds and two senior trooper positions (2 FTE) that provide training support to the field due are reduced to revenue shortfalls in CFAA revenue
- $300,000 Other Funds are added for data collection and analysis of race-based policing practices. Funds to support this effort are contingent upon passage of legislation that modifies distribution of CFAA revenues.
- $100,712 Federal Funds and one position (1 FTE) are added to establish an accounting position for the High Intensity Drug Trafficking Area program.
- $21,424 Other Funds are added to implement an education differential based on an arbitration award.
- $18,583 Other Funds and one position (0.13 FTE) are added to re-establish a drug recognition expert oversight position for the remaining three months of an Oregon Department of Transportation grant.

OSP – Information and Communication Management and Law Enforcement Data System

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	18,978,440	24,082,115	25,592,380	25,440,880
Other Funds	4,041,557	4,608,633	6,284,321	11,096,405
Federal Funds	144,116	44,259		145,922
Total	**23,164,113**	**28,735,007**	**31,876,701**	**36,683,207**
Positions (FTE)	153.06	173.64	176.45	179.45

Program Description

Information and Communications Management Division includes the Regional Dispatch Centers, data processing, and telecommunications staff responsible for the design, acquisition, installation, maintenance, and repair of the statewide telecommunications and information management system. It maintains the Law Enforcement Data System (LEDS), which connects law enforcement, criminal justice agencies, and other authorized users to central files. These files include 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. The Governor's recommended program level funding and FTE for each of the programs under this budget unit is as follows:

Program Area	GF	OF	FF	Total	FTE
Information Resources	21,686,078	4,800,546	145,922	26,632,546	155.45
LEDS	3,754,802	6,295,859	0	10,050,661	24.00
TOTAL	25,440,880	11,096,405	145,922	36,683,207	179.45

Revenue Sources and Relationships

Information and Communications Management Division is mainly supported by the General Fund but it uses Other Funds revenue from the Unitary Assessment and the sale of surplus equipment ($2.6 million). The General Fund supports LEDS, however it receives Other Funds from charges to user agencies to pay for terminals, telephone line access, and the training coordinator program ($2 million). Unitary assessment revenue dedicated to purchase technical and information system equipment is expected to increase by 15.8% for a total of $2.6 million. LEDS terminal leasing revenues are projected to go away in 2001-03 based on the outcome of recent statewide LEDS user forum meetings. In previous biennia, these terminal fees generated approximately $1.9 million. Byrne Grant funds used to improve criminal justice records are expected to increase from $200,000 in 1999-01 to $3.5 million during 2001-03. Byrne Grant funds are also expected to be available to assist with Public Safety Data Warehouse project activities ($1.6 million). The agency plans to use funds derived from the sale of certificates of participation to purchase dispatch and other communication equipment ($2.7 million).

Budget Environment and Performance Measures

The Information and Communication Management Division currently relies on approximately $2.6 million per biennium of unitary assessment revenue to purchase and upgrade computer equipment. If planned restructuring of the Unitary Assessment allocation methodology occurs during the 2001 legislative session and it results in reductions or loss of this funding, it will significantly impair the Department's ability to maintain an appropriate technology infrastructure to support business operations. The Department will have significant equipment needs when construction of the new Emergency Coordination Center in completed.

The Department's radio and communication systems, mobile computer terminals in patrol cars, and a number of desktop and laptop PCs are nearing the end of their useful lifecycle. A significant portion of these resources were purchased with grant dollars that are no longer available. The Department is exploring additional grant fund opportunities and the ability to partner with other public/private entities to reduce the General Fund budget impact. The Department has also been taking initial steps toward development of the Public Safety Data Warehouse and is interested in using Byrne Grant funds to add key administrative staff to assist with project planning, development, and direction.

The Federal Communication Commission has mandated that all users of the frequency spectrum under 800 MHz migrate from wireless systems that operate on a 25 KHz-channel separation to 12 KHz separation by 2005 to maximize the use of the wireless frequency spectrum. The Division has yet to make any significant changes to comply with the infrastructure requirements and faces significant interoperability and fiscal challenges as it takes steps to migrate to these new technologies. In 2001-03, the Division plans to request up to $250,000 General Fund so it can complete a study of what is needed.

The Department plans to consolidate the Eastern Regional Dispatch Center in Bend with the Western Regional Dispatch Center in Salem when the new Central Communication and Emergency Coordination Center is completed. In the long run, this consolidation is expected to increase effectiveness and lead to greater efficiencies. In the short run, this consolidation will require the Division to address issues related to staff retention/recruitment; reallocation of frequency groups; position classification and labor agreements; and transitional business, communications, and operational impacts. The Department recently completed a dispatch center staffing study and believes it needs several more positions to address workload, reduce overtime, and improve service to officers and the public. When the new coordination center is completed in December 2001, the Division plans to furnish the facility with about $2.7 million in dispatch equipment and furnishings. The Department plans to use revenue derived from the sale of certificates of participation for the equipment. This Division's facility rental charges will increase by approximately $510,000 once the new facility is occupied.

The Division is experiencing difficulty in attracting and retaining a number of positions due to record low unemployment rates, high demand for technical professionals, and the fact that similar positions with other state and county agencies pay more than OSP. This has slowed service delivery, put pressure on remaining staff, and increase the costs associated with recruitment and training.

The LEDS database management system continues to undergo grant funded upgrades that should improve performance. The current messaging switch (last replaced in 1990) is obsolete, and the Department is in the process of developing an RFP for its replacement. Once the messaging switch is replaced, additional database improvements are planned to maintain system compatibility with federal data systems. As state and local revenues to operate the system have become more difficult to acquire, the Department has pursued other forms of fair, equitable, and stable funding. At the direction of the 1999 Legislature, the Department explored the appropriateness of assessing a transaction charge to users of LEDS data. Between March and September 2000, the Department held numerous meetings around the state with LEDS, and the decision was made to discontinue support of 186 dedicated LEDS terminals effective June 30, 2001. Currently, these terminals are used by 134 of 480 agencies that access the system. The terminals are nearly 20 years old and will not support the Federal Bureau of Investigation standards. Eliminating these terminals will reduce Other Funds revenue by $1.9 million and require approximately $500,000 in General Fund support to continue essential LEDS services.

Information and Communications Management Division and LEDS collect data in three key categories to monitor its performance. The areas include the level of satisfaction of regional dispatch center customers, development of technologically educated work force, and the amount of time the LEDS messaging switch and database is operational. The data show that customer satisfaction has remained high over the last three calendar years; employee competence in the use of technology has been extremely high over the last five years; and that the LEDS system has remained operational at least 98% of the time during the last year.

Governor's Budget

The Governor's recommended budget of $36.7 million reflects a 27.7% increase from 1999-01 estimated expenditures. The budget growth relies primarily on Other Funds revenue derived from COPs and grants and is due to position phase-in costs, equipment purchases for the new Central Coordination and Communication

Center (CCCC), and continued development of the public safety data warehouse. Specifically, the budget reduces General Fund by:

- $550,000 by delaying software upgrades and hardware replacement to meet the Governor's budget reduction targets. This represents 40% of the Division's General Fund budget for Capital Outlay/Expendable Property.
- $138,079 to phase-out charges for LEDS terminals and allows $117,500 General Fund to be used to convert the agency's LEDS connections to alternative technology.
- $124,552 and one position (1 FTE) to transfer an information systems position to Human Resources Division.

General Fund additions to the budget include:

- $259,164 for rental costs primarily for mountain top repeater sites located on privately owned property throughout the state.
- $246,880 to cover the Division's share of additional rent costs for the Central Communication and Coordination Center (CCCC) that is scheduled to open December 2001.
- $118,783 for LEDS' share of rent for the new CCCC.
- $18,988 to implement a required education differential based on an arbitration award.
- $8,985 to restore services and supplies reductions taken to fund position reclassifications.

Other Funds and Federal Funds reductions include:

- $1,405,310 Other Funds based on OSP's decision to discontinue charging LEDS terminal access fees. The terminal fee revenue will drop $1,943,641 based on this decision. OSP plans to partially backfill for the loss with $538,331 Other Funds derived from proposed legislation to modify the CFAA revenue distribution to establish two positions (2 FTE) and continue essential LEDS operations.
- $102,895 Other Funds based on a reduction in the amount of CFAA revenue that will be transferred for equipment purchases.
- $53,846 Federal Funds and 0.5 FTE based on the phase-out of federal COPS Universal grant funds that supported five computer support positions. OSP has reconfigured funding to save four of these positions.

Other Funds and Federal Funds additions include:

- $2,300,555 Other Funds to cover CCCC moving, dispatch console replacement, and COP issuance costs.
- $1,661,447 Other Funds and one position (1 FTE) to continue development of the public safety data warehouse with Byrne Grant funds.
- $414,646 Other Funds, derived from COP sales, to cover moving and equipment costs related to the CCCC.
- $145,922 Federal Funds to establish a communications analyst position in Pendleton to support the Chemical Stockpile Emergency Preparedness Program.

OSP – Gaming Enforcement

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	6,862,839	7,823,147	8,053,865	8,122,418
Total	**6,862,839**	**7,823,147**	**8,053,865**	**8,122,418**
Positions (FTE)	48.00	44.75	44.75	44.75

Program Description

The Gaming Division ensures fairness, honesty, integrity and security of the Oregon State Lottery and tribal gaming centers operating in Oregon. The state lottery was established in 1985, and tribal casinos were first allowed in 1993. Since 1993, the Boxing and Wrestling Commission has operated from within the Department to ensure the integrity and honesty of boxing and wrestling events.

Revenue Sources and Relationships

The Lottery Commission fully funds Lottery security services ($4.6 million) and the Native American Tribes fully fund Indian Gaming Enforcement activities ($3.3 million). License fees and pay-per-view charges fund the Boxing and Wrestling Commission regulatory activities ($251,094). Seventy-five percent of Boxing and Wrestling Commission ending balances are sent to the Children's Trust Fund.

Budget Environment and Performance Measures

The Department is still in negotiations with the Lottery Commission on the amount of revenues available for security services; however, it expects an increase of approximately 5% to be available to cover the costs of services provided. The demand for Department investigative services continues to grow due to new contracts and new lottery games. The Lottery Commission began with one game and now offers approximately 36 new scratch-it games and 12 new break-open ticket games per year. Currently, the Department monitors over 8,800 video lottery terminals located on 1,850 retail locations; conducts background checks on retail contractors, retail employees, and major vendors; and provides weekly oversight of megabucks, keno, power ball, and sports action games. In 2001-03, Lottery Commission activities are not expected to place greater demands on the Department's Gaming Division resources.

In 1995, there were six casinos operating 2,600 slot machines and approximately 130 table games. Currently, nine of ten Native American Tribes in Oregon have gaming compacts and eight are operating gaming centers with over 4,300 video lottery games. The remaining compacted tribe (Coos Bay) may open a gaming center during the 2001-03 budget period. The Department is anticipating gaming center expansions by three tribes (Cow Creek, Umatilla, and Grande Ronde). The Department hopes to fulfill its 2001-03 regulatory functions without additional staff. The amount of Tribal revenue is expected to increase by approximately 3.2% to cover the cost of services provided.

Charges to fighter / wrestler promoters and pay-per-view funds are expected to increase by 25% during 2001-03. The primary reason for the increase is that more events are being scheduled and there are more active in-state promoters. In 1997-99, there were 51 live events and in the first 15 months of 1999-01, there have been 80 live events. In 1999, there were three active promoters, and there are currently seven. Based on successful First Amendment challenges in California and Georgia to the imposition of gross receipts tax on specific types of events, promoters of these events have recently refused to pay the tax. A challenge has been filed in Oregon and the Attorney General is pursuing a defense of the tax. The outcome of the challenge may adversely impact the amount of 6% tax revenue received. If the gross receipts tax is ruled unconstitutional, the state may need to identify alternative funding sources; abolish the commission; or eliminate professional boxing and wrestling in Oregon. In 1999-01, approximately 90% of the commission's revenues came from closed circuit and pay-per-view gross receipts taxes.

The Tribal Gaming Section monitors its performance by measuring the number of vendor investigations conducted within established time limits and in compliance with Tribal compacts and completion of monthly monitoring activities and reports. The Lottery Section monitors its performance by measuring the number of retailer investigations conducted within established time limits. The Boxing / Wrestling Section monitors the number of licenses issued, on-site inspections completed, field licensee contacts, and random drug tests. The data show that the percentage of Tribal vendor investigations conducted within 60 days has increased from 47% in 1997 to 64% in 1999; the percentage of new control person and traditional lottery retailer investigations completed within two weeks increased from 75% and 59% to 78% and 67% respectively between 1998 and 1999; the percentage of video lottery investigations completed with four weeks decreased slightly (from 69 to 68%) between 1998 and 1999; the number of boxing / wrestling licenses issued had increased from 158 to 272 between September 1998 and September 2000; the number of on-site inspections had increased from 9 to 27; the number of field licensee contacts had decreased from 68 to 19; and the number of random drug tests had decreased from 13 to zero.

Governor's Budget

The Governor's recommended budget reflects a 3.8% increase from 1999-01 estimated expenditures. This was primarily due to salary increases, government service charges, and inflationary increases. The base budget was reduced by $111,649 Other Funds due to vehicle purchase expense patterns. The recommended budget includes two policy packages. One package adds $112,530 Other Funds to implement an education differential based on an arbitration award, and the other reduces $39,699 Other Funds in anticipation of the retirement of sworn officers in 2001-03 and the shift of $89,902 from Attorney General costs to rent based on expenditure patterns.

OSP – Oregon Emergency Management

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	878,741	1,059,994	983,886	1,608,184
Other Funds	1,565,455	1,855,442	625,936	1,658,432
Federal Funds	5,204,062	7,352,469	6,913,191	7,103,650
Nonlimited	84,995,919	70,142,870	65,294,117	65,594,117
Total	**92,644,177**	**80,410,775**	**73,817,130**	**75,964,383**
Positions (FTE)	37.00	40.00	27.22	34.00

Program Description

The purpose of the Oregon Emergency Management Division (OEM) is to coordinate and maintain a statewide emergency services system. This system incorporates the separate local and state emergency service elements into a comprehensive capability to prepare for, respond to, and recover from disaster conditions. Activities include preparedness planning, and development and implementation of mitigation strategies.

Revenue Sources and Relationships

Administration of the 9-1-1 Emergency Telephone Systems Program is funded by the 9-1-1 Telephone Tax. The tax is a flat monthly rate of $0.75 for all devices (wired telephone, wireless phone, or fax machine) capable of accessing 9-1-1 services. The wireline and wireless carriers collect the tax and submit funds to the Department of Revenue. The funds are then distributed in accordance with a statutory formula as follows: 35% for enhanced 9-1-1 public safety answering point (PSAP) implementation costs; up to 4% for OEM program administration; up to 2.5% for equipment replacement; up to 1% for Department of Revenue administrative processing cost recovery; and the remainder (at least 57.5%) is distributed to counties and cities for 9-1-1 operations at PSAPs. In 1997-99, $47.6 million in 9-1-1 revenues was submitted to the Department of Revenue. In 1999-01, approximately $52 million is expected and $1.5 million was included in the OEM legislative adopted budget for administration of the 9-1-1 program. The tax will sunset December 31, 2001, so only $16.5 million in tax revenue is expected in the 2001-03 budget. A $31.7 million beginning balance is projected for 2001-03.

One hundred percent Federal Funds (FEMA) are available for specific technical and specialized services (emergency management training and for technical assistance in all hazard planning) and are also available from the Department of Defense, via FEMA, for the Chemical Stockpile Preparedness Program ($27.8 million). Overall, FEMA funds are reduced by 18.7% primarily because of closure of disaster related grants that were awarded in the previous two biennia. Federal matching funds are also available on a 50/50-match basis under the Emergency Management Performance Grant through FEMA. The Department is expecting to receive approximately $700,000 in Federal Funds during 2001-03 for terrorism consequence management preparedness activities.

Budget Environment and Performance Measures

The 9-1-1 program tax base has been expanding due to the steady growth in both landline circuits and wireless devices. This has increased the amount of funding available for enhanced 9-1-1 projects. As of January 2000, all of Oregon's population was served by Enhanced 9-1-1 services provided from 56 Primary PSAPs. Fourteen of 36 counties (39%) have multiple PSAPs (seven operate 2 PSAPs; two operate 3 PSAPs; and four operate 4 PSAPs). Individual PSAPs are being operated by 5 to 157 (15 average) budgeted FTE; annually answer 600 to 409,000 (61,800 average) calls for service; and provide 9-1-1 services at an annual cost of $4,300 to $10.4 million ($507,400 average). In anticipation of the 2001 legislative review of the 9-1-1 telephone tax sunset, the 1999 Legislature directed OSP, DAS, and the Governor's Office to work with a 9-1-1 Advisory Committee work group in an effort to develop a more coordinated emergency response system and assess whether there are more cost-effective and efficient ways to provide medical, fire, hot line, and officer dispatch services. The Department contracted with a consultant to complete an assessment of the 9-1-1 program; identify challenges to the effective and efficient provision of 9-1-1 services; propose a plan of action to meet those challenges; and identify future measures of program performance. The consultant's September 15, 2000 report highlights the need for the Legislature to continue 9-1-1 program funding at the present levels to allow OEM to address emergency system access changes being brought on by widespread adoption of wireless telephone technology and to allow local agencies to continue in their ability to answer calls for assistance. A separate report was submitted in October 2000 to address the Legislature's request that OEM review the status of multiple public safety answering points within counties. The report confirms that 14 of 36 counties have multiple public safety answering points (PSAPs). Specifically, it found that eight counties had 2 PSAPs; four counties had 4 PSAPs; and two had 3

PSAPs. The consultant concluded that one PSAP per county achieves the maximum practical benefits of consolidation, while preserving local control at the county level. The consultant recommends that the state regard PSAP consolidation as an issue for local determination; the state not change the status or funding of existing PSAPs and use those policies to discourage the formation of new PSAPs; that OSP use its own revenue to equip its regional dispatch centers with 9-1-1 call answering equipment; and that the state should focus its energies on other critical system implementation issues. The recommendations contained in these reports will be considered when the 2001 Legislature decides whether or not to continue a 9-1-1 telephone tax.

New federal initiatives are being considered that may impact emergency management programs. These initiatives include establishing disaster resistant communities; establishing automated emergency management processes; implementation of changes in cost-sharing and grants management processes; and enhancement of counter-terrorism and consequence management efforts.

In Federal Fiscal Year 1999, FEMA reduced the funds available to all states for training and exercises, state and local assistance, planning and mitigation services from 100% and 75% Federal Funds to a single categorical grant with a standard 50% state match rate. This match requirement change will have approximately a $250,000 General Fund impact in 2001-03 to continue operation of essential functions. FEMA has also increased its efforts to shift disaster costs to state and local governments. FEMA plans to pursue law changes to reduce the range of items eligible for disaster funding and is encouraging states to expand efforts to establish disaster resistance initiatives. The Association of Oregon Counties has identified the need for a disaster assistance fund as one of its top five priorities for the 2001 Legislative Session. OEM has used all of the available $98 million in disaster recovery and hazard mitigation funds for previously declared disasters. If another disaster occurs, FEMA would be looking at the state's contribution to the mitigation as one factor on which to base the level of federal disaster funding.   If the state does not establish disaster mitigation funding, the federal government could choose to limit the amount of funds it would provide for disaster recovery. In June 2000, with the support of FEMA, OEM completed a planning process, which led to the development of a Natural Hazards Mitigation Plan. The plan will be used to develop policies, priorities, and action plans to lessen the impact of natural disasters.

The Department continues to focus personnel and resources in Eastern Oregon in support of the Chemical Stockpile Emergency Preparedness Program. Congress has allocated approximately $25 million for an emergency system so chemical munitions stored at the Umatilla Army Depot can be incinerated. OEM is still attempting to complete mandated emergency preparedness requirements with both Morrow and Umatilla counties so the Army can begin testing the incinerator. During 1999-01, officials in the Eastern Oregon communities continued to express concerns over how the Federal Funds have been used; the delays experienced in completing emergency preparedness activities; and the adequacy of funds to purchase necessary protective equipment. Both OEM and FEMA have taken steps to address these issues. Morrow and Umatilla counties have requested the federal government to provide over $55 million for direct economic relief in addition to funding for more emergency equipment, over-pressurization of newly built facilities, and construction of a new bridge to meet evacuation needs. A study is being conducted to address local concerns with the existing administrative structure and management plan.

The construction of the new Central Communication and Coordination Center (CCCC) will be completed by December 2001. Based on OEM's plans to utilize approximately 12,600 square feet of that facility, it will incur about $500,000 in additional rental charges. Other areas will be used for regional dispatch , Oregon Emergency Response System (OERS), and LEDS services. OEM hopes to obtain legislative approval to spend approximately $200,000 (derived from the sale of COPs) to equip and furnish the new facility.

The Office of Emergency Management collects data in three key categories to monitor its performance. The areas include customer satisfaction, the number of calls per incident, and the percent of time the emergency operations center is operational. The data shows that customer satisfaction has remained high over the last 14 months; an average of two calls have been necessary to properly notify or coordinate with other state and local agencies over the last 13 months; and the Emergency Operations Center has remained functionally ready for activation 77% of the time during the last year.

Governor's Budget

The Governor's recommended budget addresses changes in the state match rate for emergency preparedness activities and assumes passage of legislation that lifts the 9-1-1 telecommunications tax sunset. Specifically, the budget:

- Reduces $7,788 General Fund and $7,788 Federal Funds and adds $15,576 Other Funds (9-1-1) to fund shift Division Director reclassification expenses. The reclassification is based on growth in span of control and accountability.
- Adds $361,885 General Fund and $16,669 Other Funds to cover rental cost increases for the new CCCC.
- Adds $256,232 General Fund and $181,784 Federal Funds to fund shift four positions (2.70 FTE) due to a reduction in FEMA support for state emergency preparedness programs. This effect reduces $86,936 Other Funds (9-1-1).
- Adds $14,618 General Fund and $6,045 Federal Funds to pay reclassification expenses for two positions. Funds freed up based on elimination of a patrol position were used to cover these costs.
- Adds $288,000 Federal Funds for coordination of state and local plans regarding domestic terrorism and weapons of mass destruction. An additional $300,000 Non-limited Federal Funds will be passed through to cities and counties for planning purposes.
- Adds $175,618 Other Funds, derived from the sale of COPs, to cover CCCC moving and equipment costs.
- Reduces $132,190 Other Funds and $217,893 Federal Funds to transfer and reclassify a hazards materials planning position (1 FTE) to the Office of the State Fire Marshal.
- Continues to authorize the use of $1,048,348 Other Funds and 5.08 FTE based on the assumption that legislation lifting the 9-1-1 tax sunset will be approved. This same assumption is used to increase Non-limited Other Funds by $33,175,627.

OSP – State Fire Marshal

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	226,067	21,313	0	0
Other Funds	11,190,763	13,053,856	13,181,683	13,443,762
Federal Funds	0	0	0	217,819
Total	**11,416,830**	**13,075,169**	**13,181,683**	**13,661,581**
Positions (FTE)	75.26	80.71	77.92	79.92

Program Description

The Office of the State Fire Marshal is charged with protecting life and property from fire and hazardous materials. It has the following five major program areas: Fire and Life Safety Services, Education, Non-Retail Flammable Fuel Dispensing, Community Right to Know and the Regional Haz-Mat Response Teams. There are 16 Deputy Fire Marshals who serve Oregon communities that cannot provide their own full-service fire prevention programs. There are also 14 regional Hazardous Materials Emergency Response Teams that provide containment and mitigation operations.

Revenue Sources and Relationships

The Other Funds revenue supporting the Fire Marshal programs include; non-retail fuel dispensing fees (funds card lock enforcement), hazardous substance user fees, petroleum load fees, and the fire insurance premium tax. The remaining revenue is generated from licenses and permits (relating to liquefied petroleum gas, explosives, and fireworks) and from an interagency agreement with the Department of Human Services (DHS) for fire and life safety inspections of Medicare and Medicaid funded facilities. The non-retail fuel dispensing fees are expected to generate $567,000; the hazardous substance possession fees - $3 million; petroleum load fees - $2.5 million; fire insurance premium tax - $9.7 million; Fire Marshal license / permit fees - $1.3 million; and the DHS safety inspections - $420,704.

Budget Environment and Performance Measures

Population growth and commercial development are increasing fire service and hazardous substance protection needs. Fire and life safety deputies have been inspecting only the most critical facilities (schools, day care centers, special residential, corrections, flammable tanks, and community target facilities) and they are not always able to inspect them in a timely manner. Deputies are rarely able to inspect other facilities (restaurants, colleges, industrial facilities, motels, camps, and conference centers). This is placing lives and building investments at risk of unnecessary fire loss. In spite of this, the number of fire deaths per 100,000 population has dropped about 54% from 1993 to 1999 (from 20.4 to 9.4). In 1999, there were a total of 31 reported fire fatalities.

Human errors and carelessness caused 81% of these fatal fires and working smoke alarms were found in only 5 of 22 residences experiencing fatal fires. This overall drop in the rate of fire deaths is primarily due to engineering, enforcement, and education. However, the number of inspections conducted in 1999 by Deputy Fire Marshals and temporary staff was up by 60% (from 2,248 to 5,972) compared to 1998. Over 24% of the inspections were conducted in schools. Fire prevention public education programs and personnel are being reduced at local levels, which places greater demand for services and resources from the state's community education resources. While the utilization and transport of dangerous chemicals has increased, the number of Haz-Mat incidents has dropped from a high of 234 in 1995 to 158 in 1999. This drop is primarily due to more careful handling of substances and increased ability of local emergency responders to resolve incidents. As industrial use of complex chemicals grows, it requires the Fire Marshal to provide more sophisticated training and safety techniques for those responding to spills.

Using Employment Division records, the Department has identified over 19,500 additional business facilities that have stored, used, or manufactured hazardous substances since July 1996. Since March 2000, the Department has continued to identify an average of 300 more of these business facilities each month. The enhanced data has prompted emergency responders to seek more information from the Department so they will be more prepared when incidents occur. In 1999, the Department responded to nearly 11,000 technical assistance inquiries. Based on passage of HB 2431 by the 1999 Legislature, beginning December 31, 2000, every employer that has reportable quantities of hazardous substances will be required to make notification to the Office of the State Fire Marshal. It is unknown how many more new facilities this law change will add but it could be significant. Based on the increased number of fee payers, the Department has not had to increase the amounts assessed against business facilities to cover program administration costs during the last two biennia.

The fire insurance premium tax ($9.7 million) has been a stable revenue source in the past, however, it is no longer adequate to fund the current service level of the Fire Marshal, arson investigations, and DPSST fire services training. The Department is projecting approximately a $1 million revenue shortage and plans to pursue a legislative concept to increase fees so revenue will cover current service level activities. The Department's most recent gap analysis indicated that 29 additional positions are needed to provide necessary fire and life safety codes enforcement services. While an increase in the fire insurance premium tax would increase the available revenue to the Fire Marshal's Office, based on 1995 legislative changes to the insurance premium tax system, it would decrease the retaliatory tax on insurance companies located outside of Oregon and reduce General Fund revenue. Since about 17% of the market is held by Oregon-based insurance companies, about 80% of an increase in fire insurance premium tax would be offset by a decline in retaliatory tax revenue. In other words, a $5 million increase in fire insurance premium tax revenue will result in a $4 million reduction in General Fund revenue. The Department is interested in a proposal to double the fire insurance premium tax rate in stages over the next three biennia.

The Fire Marshal and the Department of Revenue are assessing whether the transport companies paying the Petroleum Load Fee (PLF) have been overcharged for a number of years. The PLF is set administratively at $4.75 per delivery or withdrawal of fuel from bulk storage facilities. Some facility operators have their collection systems set up to charge the fee whenever a truck transfers fuel to or from a storage tank. In some cases, single compartmentalized trucks are making transfers to or from multiple tanks in a single load and being charged the fee more than once. To address the issue, the Department of Revenue is surveying storage facility operators, transport companies, and retail stations to get some estimate of the magnitude of the problem. If the research identifies a significant overcharge, it may be necessary to reduce the program, spend down the PLF ending balance, or increase the fee to the statutory maximum of $10 per load.

The Fire Marshal collects data to monitor its performance in seven key categories. The categories include the number of fire deaths per one million population; non-retail gasoline facilities compliance with cardlock laws; the number of licenses issued per FTE; the number of hazardous materials incidents beyond the control of local emergency responders; the number of hazardous materials information reports provided per year; the number of structure fires and estimated dollar loss; and the rate of fireworks caused fires. The data show that the number of fire deaths per 1,000 population has dropped to a level that is lower than what has occurred in the last 10 years; cardlock compliance rates have remained at about the 87% level over the last seven years; the number of licenses issued per year has increased in the last 3 years through the use of temporary staff; the number of hazardous materials incidents requiring the use of regional teams has decreased by 27% in the last three years; the number of hazardous materials information reports accessed by responders, planners and the general public has nearly doubled in the last two years; the number of structure fires has decreased by nearly

20% since 1995 while the estimated dollar loss has increased by nearly 30% over the same period; and the rate of fireworks caused fires has been cut in half over the last three years.

Governor's Budget

The Governor's recommended budget represents a 4.5% increase from 1999-01 estimated expenditures. Fire insurance premium tax revenue limitations prompt the reduction of two deputy fire marshal positions. In all other respects, the recommended budget continued current services. Specifically, the budget:

- Reduces $886,416 Other Funds and two deputy fire marshal positions (2 FTE) due to anticipated fire insurance premium tax revenue shortfalls.
- Reduces $138,375 Federal Funds since a federal grant to study juvenile firesetter behavior was not awarded.
- Adds $132,190 Other Funds and $217,893 Federal Funds to transfer and reclassify a hazards materials planning position (1 FTE) from the Office of Emergency Management to improve coordination and reduce duplication of effort.
- Adds $112,321 Other Funds and one position (1 FTE) to fund reclassification costs, align position funding based on assigned duties, and continue an information systems position.
- Adds $17,568 Other Funds for a Department of Administrative Services approved selective salary increase for supervising deputy state fire marshals.

Oregon Youth Authority (OYA) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	177,443,807	205,768,515	239,421,836	219,663,586
Other Funds	17,414,117	16,900,644	14,236,866	14,139,086
Federal Funds	13,161,452	26,497,312	29,449,618	27,628,120
Total	**208,019,376**	**249,166,471**	**283,108,320**	**261,430,792**
Positions (FTE)	1,194.88	1,233.00	1,299.21	1,224.21

The Oregon Youth Authority (OYA) is a key player in the state's juvenile justice system. Its statutory purpose is to protect the public, hold youth offenders accountable for their actions, and provide adjudicated youths with opportunities for reform. It works closely with county juvenile departments, the judicial system, and district attorneys. Local public safety coordinating councils and commissions on children and families also have responsibility for policy advice and program funding decisions.

OYA manages out-of-home placement of delinquent youth in foster homes and residential treatment programs, provides parole and probation services, provides funding to counties for diversion and transition programs, and operates the state juvenile corrections institutions. It operates 15 separate facilities with a total capacity of 1,231 beds. OYA's facilities and services must address diverse needs for males and females; very young through young adult ages (12 to 25); differing ethnic groups; offenders whose crimes range from behavioral offenses and property crimes to person-to-person crimes; and mentally ill and developmentally disabled offenders.

OYA's jurisdiction includes youth committed from both the juvenile and adult courts, although youth generally come to OYA before age 18. Youth committed to OYA from juvenile court can remain in OYA custody from age 12 to 21. There are no mandatory sentences 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 the physical custody of OYA. OYA may keep these youth until their 25th birthday, but may transfer them back to DOC earlier if they are dangerous or do not apply themselves. Ballot Measure 11 (1994) set mandatory sentences through adult court for juveniles aged 15-17 who are convicted of certain offenses. At July 1, 2000, about 72% of the 1,147 youth in close custody had been adjudicated in juvenile court; 28% were adjudicated in adult court on waived offenses or Ballot Measure 11 offenses.

Revenue Sources and Relationships

The General Fund supports the major share of OYA's activities and operations. About 11% of the total budget comes from Federal Funds, and about 5% from Other Funds.

OYA receives federal Title XIX Medicaid funds to reimburse part of the cost of out-of-home placements and treatment services, case management services, diversion programs and services for paroled youth. Title XIX reimburses 50% of eligible administrative costs and about 60% of eligible case management expenditures. Title XIX Behavioral Rehabilitation Services funding helps pay for residential treatment services at a 60% match rate.

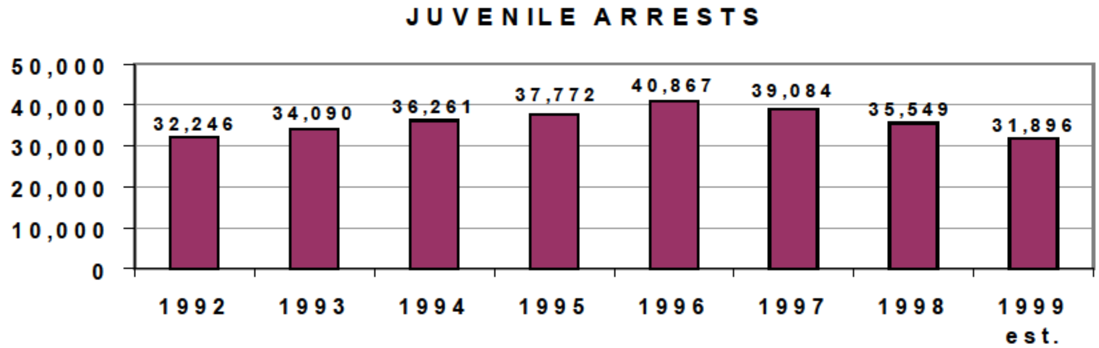
Federal funding generally is not available for juvenile corrections institution operations. However, federal nutrition program funds of $2.6 million supplement meal costs; the alcohol and drug treatment program at Hillcrest gets $110,000 in federal funds. OYA records these as Other Funds.

The largest source of Other Funds is from county contracts and reimbursements. A total of $4.8 million comes from counties that contract with OYA to operate the detention beds located in OYA's regional facilities in Warrenton, Albany and Burns. Other Funds sources include almost $2 million from child support and assets of the youth, who are billed for a small part of the cost of care provided in OYA out-of-home placements.

In prior biennia, OYA received Other Funds from certificates of participation (COPs) to build the regional facilities and develop the Juvenile Justice Information System (JJIS). No COP revenue is anticipated for 2001-03. The 1999-01 legislative budget included $500,000 Other Funds revenue from land sale proceeds at MacLaren. The timing of the land sale is now unknown. The agency has not built those revenues into the 2001-03 budget.

Budget Environment and Performance Measures

As the chart below shows, total arrests for juveniles (excluding curfews and runaways) grew significantly in the early 1990s, but have declined since 1996. Using an estimate for 1999 based on the first 9 months of the year, the 1999 arrests will be more than 20% lower than the 1996 peak. However, behavioral crimes, such as alcohol or drug law violations, make up a greater share of arrests. Behavioral crimes grew from about one-third of all arrests in 1992 to almost one-half of the 1999 arrests. Person and property crimes have actually declined slightly since 1992.



The Department of Administrative Services' Office of Economic Analysis prepares a juvenile close custody population forecast every 6 months. The October 2000 forecast predicts higher juvenile arrest rates during the next several years, based on trends for the last 25 years. OYA's average length of stay has also increased. The forecast projects that the close custody population will be at 1,167 on July 1, 2001, growing to 1,268 at July 1, 2003. The juvenile facility population is expected to level out at about 1,400 in 2007, assuming no change in current law and practice.

OYA currently has physical capacity for 1,199 close custody beds, and leases 32 beds in Multnomah County. The 1,199 total counts all beds at the permanently constructed facilities, and temporary structures at Hillcrest and MacLaren. The temporary structures were set up in 1995-97 for use until the regional facilities were complete. OYA expects to meet much of the forecasted long-term growth by expanding its regional facilities. These facilities were built so that up to 7 additional "pods" of 25 beds each could be added as needed. This will minimize siting problems and infrastructure costs.

If the rate of growth in juvenile offenders can be reduced, OYA would need fewer new beds. The 1999 Legislature added $20 million General Fund to OYA and the Criminal Justice Commission budgets to fund juvenile crime prevention resources for at-risk youth and expand basic county services such as detention and shelter care capacity. The Juvenile Crime Prevention Advisory Committee (JCPAC) worked with counties to develop local plans, which allocated the new funding based on local needs. Many of the programs have just started up and had no outcome data to report in the initial stages of the 2001-03 budget development. To this point, there has been no apparent impact on commitments to OYA. The Criminal Justice Commission and the JCPAC will be reporting to the 2001 Legislature on the results of the local plans and use of the new resources.

There are continuing issues related to the level of care and services provided in the institutions and in the community. OYA is serving more youth with mental health disorders, and needs more resources to assess and effectively address these issues. An April 2000 survey of the youth committed to OYA substitute care and close custody found that over half had a mental health condition diagnosed by a qualified mental health professional within the prior 12 months. Female offenders, while only about 9% of OYA's total population, require gender-appropriate services. Foster care continues to be difficult to secure, and more costly as more youth require intensive services while in care.

The statewide Juvenile Justice Information System (JJIS) is now operational in 34 counties. This project links local juvenile departments and detention facilities, OYA facilities and parole and probation offices, and central OYA staff with information on juvenile offenders and services. The system is also expected to provide improved data for decision-makers. OYA used certificates of participation (COPs) to cover project development and start-up costs. Beginning in 2001-03, OYA expects to use General Fund to pay for on-going system maintenance and operations, as well as continued debt service payments on the COPs.

The agency tracks performance measures related to youth in close custody and performance measures for staff diversity, training and workplace safety. A key agency measure is recidivism, which tracks the percentage of all first-time parolees leaving custody who have a new criminal referral to a county juvenile department within 12 months of release. This was at 37.7% for fiscal year 1991-92, when 390 youth were released, and has dropped to 30% for the 629 youth released in fiscal year 1997-98. The rate has remained relatively constant since the 30.3% recidivism rate reported in the 1994-95 fiscal year, although the number of youth in close custody has grown significantly since that time.

Other close custody measures track attendance in school programs, educational achievement, unauthorized absences and student earnings. OYA shows steady improvement in school program attendance, with an average 95.7% rate in 1999, compared to an average 91.6% rate in 1998 and an average 86.5% rate in 1997. However, educational achievement, measured as GEDs, high school diplomas and certificates of completion, has not made as much progress. OYA reports 199 youth completed a program in 1999, compared to 197 youth completing in 1997. Unauthorized absences have dropped from 2.9% in the last quarter of 1992 to 0.6% in the second quarter of 1999. There is no clear trend in student earnings, reported at $166,839 in 1999, $186,195 in 1998, and $170,533 in 1997.

OYA is also participating in the Office of Juvenile Justice and Delinquency Prevention's national Performance-based Standards Project. This project sets specific criteria for juvenile corrections facilities in the areas of safety, order, security, programming and education, health and mental health, and justice. It then audits the pilot facilities every six months. Audits to date have indicated a need to improve education and treatment programs, and reformation plans, for offenders in the facilities. OYA is expanding its use of performance-based standards to its contracted residential providers as well.

Governor's Budget

The Governor's recommended budget is 6.8% General Fund and 4.9% total funds higher than 1999-01 estimated expenditures. The major elements of the increase are:

- Phase-in of the basic services grants in the 1999-01 juvenile crime prevention package for a full 24 months in 2001-03 ($4.1 million General Fund)
- Phased-in costs and cost of living increases for facility and community programs ($4.8 million General Fund / $1 million Federal Funds)
- General Fund support for Juvenile Justice Information System (JJIS) operations and maintenance costs ($4.9 million)
- Enhanced psychiatric nurse staffing for the regional facilities ($1.4 million General Fund)

These increases are offset with $22.8 million in General Fund reductions, for a net reduction of 8.3% General Fund and 7.7% total funds from current service level estimates. The reductions will affect facilities, community programs, and administration:

- Eliminate 150 youth accountability (boot) camp beds and 93 positions ($12.8 million General Fund)
- Terminate a contract for 32 leased beds in Multnomah County and move youth to other OYA beds ($741,000 General Fund)
- Charge eligible snack costs to federal nutrition funds instead of General Fund ($348,276 General Funds savings, $9,657 Other Funds increase)
- Eliminate funding for the Multnomah County gang intervention program ($3.4 million General Fund)
- Reduce county diversion funds and funding for the Deschutes County pilot project by 7.4% ($793,086 General Fund)
- Reduce funding for foster care and residential care beds by 7.4% ($2,619,395 General Fund, $94,593 Other Funds, $1,537,021 Federal Funds)
- Reduce individualized services for youth transitioning from OYA facilities by 7.4% ($484,691 General Fund, $12,844 Other Funds)
- Cut 12 parole and probation staff positions ($1,013,579 General Fund, $353,840 Federal Funds), and
- Reduce facilities operations and agency administrative costs ($670,000 General Funds, $7,000 Federal Funds)

OYA – Community Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	56,353,750	71,812,881	83,697,946	75,346,816
Other Funds	3,794,118	1,253,771	1,645,251	1,537,814
Federal Funds	11,088,708	24,949,080	28,037,525	26,144,664
Total	**71,236,576**	**98,015,732**	**113,380,722**	**103,029,294**
Positions (FTE)	155.04	168.50	176.29	164.29

Program Description

Programs include services for youth offenders in lieu of placement in juvenile corrections facilities or for youth offenders who are transitioning out of those facilities. These include individualized services for youth in their own homes; transition services; foster care and shelter care; and residential treatment services. Case management services are provided by about 80 OYA parole and probation officers. About 1,600 youth in the community and 800 youth in the institutions receive parole or probation services. The budget also funds special diversion programs for counties to reduce commitments to state institutions, and grants for local basic services such as detention and shelter beds.

About 79% of the Programs budget is spent for services provided through county juvenile departments or contracts with individuals or non-profit service providers. The rest of the budget is for direct services by OYA staff and program administration, including staff training, program development and evaluation.

Budget Environment and Performance Measures

Since the mid-1980s, the state has contracted with counties to operate community programs to divert youth from state facilities. In 1999-01, OYA will provide $9 million for county diversion funding for 36 counties. The funding covers local services for youth. Diversion funding has been adjusted in past biennia for inflation, but it has not been adjusted for changes in population or arrest rates.

In addition to the statewide diversion funds, OYA has provided funding specifically for gang intervention efforts in Multnomah County. This funding has not been expanded to other areas of the state where gang activity has been recorded.

In the 2001-03 biennium, the Deschutes County pilot project will be in the final two years of its six-year demonstration period. The pilot project has received funding previously used for OYA secure institutional beds to manage 16 juvenile offenders locally. Savings can be used for local prevention and intervention services. The six-year pilot project is required to have a final, independent evaluation of the project's outcomes by October 1, 2003.

This budget includes OYA's piece of the Juvenile Crime Prevention package approved by the 1999 Legislature. OYA received $6 million General Fund in the 1999-01 budget for basic services grants to counties. The Criminal Justice Commission received $14 million General Fund for prevention services for high-risk youth, and administration and evaluation. OYA's funds are allocated for basic services such as detention and shelter beds, in accordance with local juvenile crime prevention plans approved by the Governor's Juvenile Crime Prevention Advisory Committee. Local plans can include one or more of six basic services: detention, shelter care, assessment services, after care, graduated sanctions and supervision. These grants were phased-in mid-way through the 1999-01 biennium, so the cost to continue the grants for a full 24 months in 2001-03 will increase to $10 million.

Governor's Budget

The Governor's budget is 4.9% General Fund and 5.1% total funds higher than 1999-01 estimated expenditures. It includes $10.35 million General Fund for the basic services grants phased-in during the 1999-01 biennium, based on a full 24-months funding plus inflation. Several counties expect to use some of their basic services grants for youth and services eligible for federal Title XIX Medicaid funding, so the budget includes $1.8 million Federal Funds to be distributed to those counties.

The proposed budget is 10% General Fund and 9.1% total funds lower than current service level estimates. The budget eliminates General Fund support for Multnomah County gang programs ($3.4 million General Fund), and cuts funding for other elements of the community service system by 7.4 percent:

- County diversion funds and the Deschutes County pilot project funds ($793,086 General Fund)
- Foster care and residential care beds. Depending on bed costs, this will cut the community bed capacity by 5 to 10 percent. ($2.6 million General Fund, $94,593 Other Funds, $1.5 million Federal Funds)
- Individualized services to support youth transitioning from OYA facilities back to the community ($484,691 General Fund, $12,844 Other Funds)
- Parole and probation staff positions and related costs ($1 million General Fund, $353,840 Federal Funds, 12 positions, 12 FTE)

The budget also reduces Services and Supplies expenditures by $57,000 General Fund and $2,000 Federal Funds.

OYA – Facilities

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	106,894,720	123,895,748	140,157,770	127,090,279
Other Funds	2,019,991	7,242,811	8,991,752	9,001,409
Federal Funds	1,414,402	800,551	749,893	747,893
Total	**110,329,113**	**131,939,110**	**149,899,415**	**136,839,581**
Positions (FTE)	970.97	1003.00	1061.42	992.42

Program Description

OYA operates a variety of facilities that provide a continuum of close custody program levels. The focus in the facilities is on reformation of criminal behaviors. This differs from the traditional adult corrections focus on punishment. The distinction creates differences in physical and staffing arrangements between juvenile and adult facilities, which result in higher operating costs in the juvenile facilities. OYA operates high security youth correctional facilities at Hillcrest, MacLaren, the Multnomah County Juvenile Justice Center, Grants Pass, Warrenton, Prineville, Albany and Burns; four work/study camps at Tillamook, Florence, Corvallis and La Grande; and three youth accountability (boot) camps at Tillamook, La Grande and MacLaren. There is a total 1,199 bed capacity in OYA facilities, including temporary structures at Hillcrest and MacLaren. OYA leases 32 beds at the Multnomah County facility.

The regional facilities and the Tillamook and La Grande youth accountability camps are newly constructed within the last 4 years. Hillcrest, MacLaren, and the work/study camps are all older facilities. Hillcrest operates as a co-ed facility. Corvallis House is for young women only. All other facilities are operated for male youth.

Budget Environment and Performance Measures

The Office of Economic Analysis (OEA) prepares a juvenile population forecast semi-annually, based on Oregon's youth population, juvenile arrest rates and lengths of stay in OYA facilities. The October 2000 forecast projects that the close custody population will be at 1,167 on July 1, 2001, growing to 1,268 at July 1, 2003. This is a growth rate of 3.9% in 2001-02 and 4.6% in 2002-03. The July 2003 number assumes 16 beds that are now managed in the Deschutes County pilot project, which sunsets in June 2003, will revert to OYA close custody facilities. Much of the forecast growth is in discretionary beds, which are made up of new crimes and parole violations that do not fall under Measure 11 or Department of Corrections jurisdiction. The juvenile facility population is expected to level out at about 1,400 in 2007, assuming no change in current law and practice.

OEA has adjusted its short-term forecast downward slightly over the last several years. The April 1999 forecast projected 1,203 beds in July 2001, and 1,304 beds in July 2003. The current forecast is 36 beds lower.

The 1999-01 legislatively adopted budget did not fully fund the April 1999 forecast, expecting the juvenile crime prevention grants in OYA and the Criminal Justice Commission's budget would reduce close custody needs below the forecasted level. For the biennium to date, close custody needs have been below the initial forecast level, but have averaged about 20 beds higher each month than funded in the budget.

Debt service on certificates of participation (COPs) is included in this budget. OYA pays about $9.5 million per biennium to repay COPs issued for regional facilities, fencing and property transactions. OYA also pays $3.3

million for Juvenile Justice Information System COPs issued in 1998 and about $221,000 for remodeling at Hillcrest related to suicide prevention issues. OYA uses General Fund to pay the total $13 million debt service.

Governor’s Budget

The Governor’s 2001-03 recommended budget for OYA facilities is 2.6% General Fund and 3.7% total funds higher than estimated 1999-01 expenditures, but 9.3% General Fund and 8.7% total funds lower than current service level estimates. The budget funds close custody population growth as predicted in the October 2000 population forecast, except for 150 youth accountability camp beds. This reduction cuts $12.8 million General Fund and 93 positions (92 FTE). Eliminating the youth accountability camp beds reduces the state’s capacity to serve non-violent property offenders. OYA may transfer some youth from its work/study camps to the newer youth accountability camp facilities at Tillamook and La Grande, or may hold the facilities for future population growth.

The budget also anticipates cost savings in three other areas:

- Terminate a contract with Multnomah County for 32 leased beds, moving those youth to other OYA facilities. ($741,000 General Fund). Ending the Multnomah County beds eliminates the most expensive, highest-security beds in OYA’s system. Unless the Legislature acts to “non-appropriate” the contract costs, the contract requires the state to pay a portion of the facility’s costs until the beds are occupied by the county or another tenant.
- Charge eligible snack costs in the facilities to federal nutrition funds ($348,276 General Fund savings, $9,657 Other Funds increase)
- Reduce facilities operations costs by adopting “best practices” system-wide and reducing Services and Supplies ($557,000 General Fund, $2,000 Federal Funds)

In an effort to address the mental health needs of youth in OYA’s custody, 15 psychiatric nurse positions are added for the 5 regional facilities. This would provide coverage for two shifts per day, 7 days a week. The cost of this enhancement is $1.4 million General Fund. The budget also converts some existing funding for temporary employees to funding for 40 new permanent part-time positions (10 FTE). The new positions are to help cover for unscheduled absences or other short-term staffing needs.

OYA – Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor’s Recommended
General Fund	11,573,015	9,858,667	15,359,871	17,020,242
Other Funds	3,176,942	7,592,094	3,234,563	3,234,563
Federal Funds	658,342	747,681	662,200	735,563
Total	**15,408,299**	**18,198,442**	**19,256,634**	**20,990,368**
Positions (FTE)	68.87	61.50	61.50	67.50

Program Description

The Administration section includes the director’s office, other central office staff, business services, and grants. This section also includes all costs that are not allocated to other programs, such as insurance premiums and attorney general costs.

Governor’s Budget

The Governor’s recommended budget for OYA administration is 72.6% General Fund and 15.3% total funds higher than 1999-01 estimated expenditures, and 10.8% General Fund and 9% total funds higher than current service level estimates. The budget shifts $1.7 million in base budget costs for operating and maintaining the Juvenile Justice Information System (JJIS) to General Fund. The agency used Other Funds financing from certificates of participation for the initial system development costs. The budget adds $1.7 million General Fund and $76,363 Federal Funds to replace 4 temporary staff positions with permanent positions, add 2 new positions and fund contract services to support JJIS’s on-going operations. OYA will take action to save $56,000 General Fund and $3,000 Federal Funds from administrative reductions.

OYA – Capital Improvement/Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,622,322	201,219	206,249	206,249
Other Funds	8,423,066	811,968	365,300	365,300
Federal Funds	0	0	0	0
Total	**11,045,388**	**1,013,187**	**571,549**	**571,549**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Capital Improvement covers maintenance and repair projects at the juvenile facilities. Capital Construction includes major renovation projects, or land acquisition and construction costs such as for the regional facilities.

Governor's Budget

The Governor's budget provides current service level funding for capital improvements, although the Other Funds expenditures are dependent on potential revenues rather than guaranteed funding. The agency has identified a $7 million list of deferred maintenance and repairs needed in its facilities. The budget will allow OYA to address only the most critical items on that list, or emergency items that arise during the biennium.

The budget does not fund any new Capital Construction projects in 2001-03. The proposed reduction of 150 boot camp beds will allow OYA to operate within existing bed capacity during the biennium. However, the October 2000 forecast projects additional space will be needed early in the 2003-05 biennium. The Governor's budget does not include any planning funds for 2001-03.

ECONOMIC AND COMMUNITY DEVELOPMENT

Economic and Community Development Department (ECDD) – Agency Totals

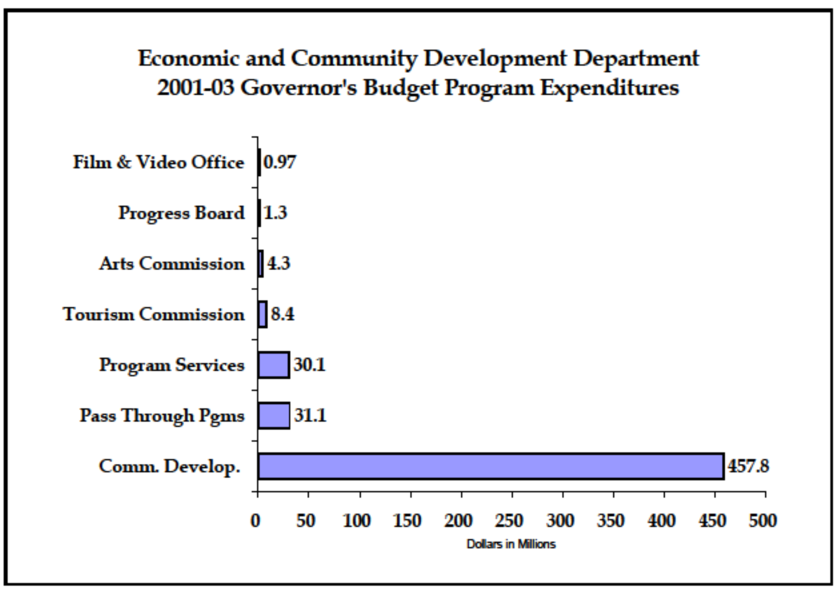
	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	4,405,818	3,582,705	3,137,154	4,867,154
Lottery Funds	53,179,904	62,870,023	89,887,140	84,363,484
Lottery Funds - Carryover	7,683,300	7,441,901	10,483,336	7,150,000
Other Funds	6,149,703	25,778,331	37,251,913	43,550,950
Federal Funds	48,370,401	37,163,309	54,531,218	52,571,218
Nonlimited	57,228,527	98,634,351	207,685,946	339,940,847
Total	**177,017,653**	**235,470,620**	**402,976,707**	**532,443,653**
Positions (FTE)	143.43	144.74	139.00	160.00

** The current service level is adjusted to add $3.3 million in Lottery Funds carryover for Columbia River channel deepening funds approved in SB 710 (1997) but not yet expended.*

The Economic and Community Development Department provides economic and community development and cultural enhancement throughout the state, and administers programs that aid businesses, communities, and people. The Economic and Community Development Department receives General Fund, Lottery Funds, Federal Funds and Other Funds primarily from the Oregon Bond Bank and other bonding programs, and disburses the funds to a variety of programs, including regional and rural development, business and industry development, and ports.

The 1997 Legislative Assembly directed that Oregon's economic development system be redesigned to meet the changing economy in Oregon, to provide flexibility in funding statewide and regional needs, and to focus on funding economic and community development services for rural and distressed communities. The Department has seven budgetary divisions:

- *Program Services* provides overall policy direction, service delivery and program support, including ports and international trade staff support;
- The *Community Development Fund* includes state and federal funds that support the Department's community, business and ports services and funding programs;
- *Lottery Pass-Through* is used to account for lottery resources distributed to programs outside of the agency.
- The *Tourism Commission* promotes Oregon and helps create jobs in tourism-related industries;
- The *Film and Video Office* develops the film and video industry in Oregon;
- The *Oregon Arts Commission* fosters the arts and cultural development in Oregon; and
- The *Oregon Progress Board* evaluates Oregon's progress in meeting benchmark goals.



Budget Environment and Performance Measures

The workload of the agency is driven by the economic and community development needs of Oregon's communities. This includes assisting communities to meet needs for clean water and wastewater disposal and other public infrastructure and community facilities, development of telecommunications services and infrastructure particularly in the areas of rural Oregon that lack adequate service, and support for community-identified economic and community development programs. The agency also provides administrative support to the Tourism Commission, the Arts Commission and the Oregon Progress Board, and distributes funds to the semi-privatized Oregon Film and Video Office.

The Economic and Community Development Commission was directed by budget note to establish a performance measurement and reporting process. The Commission established a work group that developed performance measures, and the report was submitted to the Joint Trade and Economic Development Committee. The outcome measures are grouped by the four key areas of agency performance:

1. Creating Economic Opportunity: includes total jobs created and retained, new sales of assisted exporters, and other sales of assisted firms;
2. Building Quality Communities: includes the number of aided water/wastewater systems achieving goals, investments in community facilities, and number of aided communities improving their telecommunications connectivity;
3. Managing for Results: includes customer satisfaction surveys, jobs created/retained per FTE, and estimated return to the General Fund (tax revenues resulting from Department investments); and
4. Special Focus Areas as defined by the Legislature and the Commission: includes services to distressed and rural communities, small business assistance and assistance to Oregon companies.

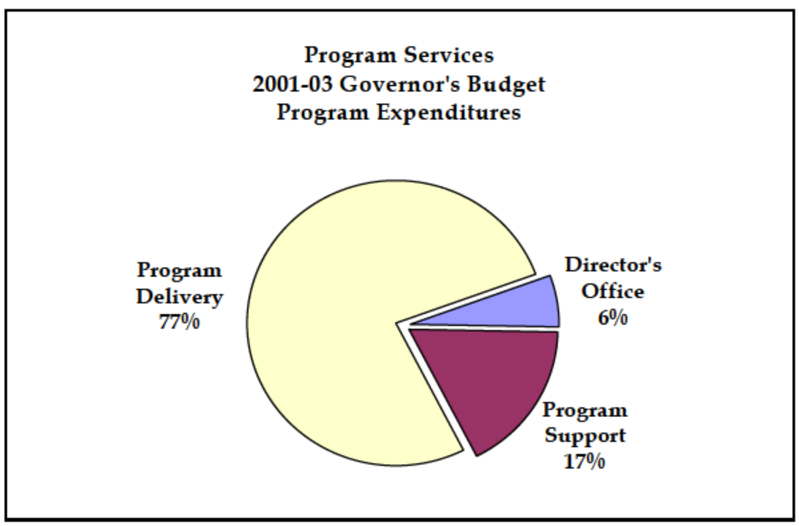
The agency is in the process of developing measurable goals and targets, which will form the basis for implementing an agency-wide process for evaluating progress in meeting the outcome goals. The Department will present its plan for this evaluation as part of its budget presentation process.

ECDD - Program Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	0	0	0
Lottery Funds	14,730,313	16,212,428	17,019,698	13,519,698
Lottery Funds - Carryover	167,000	0	0	0
Other Funds	4,366,004	6,307,854	7,859,510	14,103,054
Federal Funds	11,293,160	1,134,522	2,317,263	2,473,263
Total	**30,556,477**	**23,654,804**	**27,196,471**	**30,096,015**
Positions (FTE)	124.97	125.74	121.00	141.00

Program Description

The Director of the Economic and Community Development Department is appointed by the Governor and confirmed by the Senate. Program Services includes the Office of the Director; Program Support that includes finance service, employee services and information services; and Program Delivery that includes Business and Industry Services, Regional Teams, International Services and Finance Services. The program provides services in the areas of project development, coordination of financing, and contracts. It also includes administrative support to the agency and its allied boards and commissions in the areas of fiscal and personnel management, information processing, research and marketing, and staff support and policy development.



The Department has restructured internal operations and established five cross-agency regional teams in the Program Delivery section. These teams coordinate the efforts of the Department as a member of Community Solutions Field Teams. Services include planning and financial assistance for Oregon's communities and 23 ports and distribution of federal block grants, other Federal Funds, and lottery backed loans and grants for infrastructure (e.g., water, sewer, electricity, and roads), and public works and business and industry development activities.

The Program Delivery section also includes International Services, which provides staff and services in foreign markets including offices in Japan, Korea, and Taiwan, and contracted services in other countries, including

Germany, China and Mexico and Business and Industry Services, which provides assistance to Oregon business and industry sectors.

Other programs and services include:
- Director's Office, which provides overall policy direction to the agency; and
- Program Support, which includes fiscal and personnel management, information management, research and marketing, and staff support and direction for the programs in the Economic and Community Development Department.

Revenue Sources and Relationships

Estimated revenues for 2001-03 include: $13.5 million in Lottery Funds; $2.5 million in Federal Funds for administration of federal programs and the Community Development Block Grant program; and $11.1 million in Other Funds from interest earnings and loan repayments, and from the Safe Drinking Water Revolving Loan Fund that is administered by the Department.

Budget Environment and Performance Measures

Community and regional needs and the needs of businesses and industry drive the workload. External forces, including changes in Oregon's economy, have a direct impact on the workload. Workload is also affected by changes in organization and staffing. The revisions to the budget structure and the change in direction and responsibility of the Economic and Community Development Commission have a major impact on staff workload, as does the additional workload generated by the Safe Drinking Water Revolving Loan program and increased funding for infrastructure investments. The 1999 Legislature added $200,000 Lottery Funds and 2 FTE to improve management and coordination of international trade activities and $230,000 Lottery Funds and 0.75 limited duration FTE for a contractual trade representative in China. The Legislature also added $114,617 Other Funds (from revolving loan fund revenues) and 1 FTE for a rural infrastructure technician, for the additional staff workload generated by the additional $45 million in lottery-backed bonds for infrastructure that were approved by the Legislature.

Governor's Budget

The Governor's budget makes significant changes to the method of financing the staff that provide loan and grant services to communities. Contingent on passage of legislation changing method and calculation of the value and of the use of interest earnings on loan programs, the Governor's budget transfers funding for 25 existing staff from Lottery Funds to interest earnings from revolving loan programs. This includes the Ports, Water / Wastewater, and Special Public Works revolving loan programs. In addition, policy packages for additional program support staff are funded through this transfer, as is $1.3 million for Health Division staff providing safe drinking water related services, which had been funded with the General Fund. The net impact of this action is to potentially reduce the funds available for new loans and grants by $6.9 million this biennium, and additional reductions in future biennia from roll-up costs. However, if funded at the requested level, the Department estimates that the loan program administrative costs will be sustainable over several biennia.

The Governor's budget is an increase of $2.9 million (10.7%) from the current service level and $6.4 million (27.2%) from 1999-01 estimated expenditures. This includes:
- A $3.5 million Lottery Funds reduction and a $3.5 million Other Funds increase for the staff transfer.
- $1.3 million Other Funds from revolving loan fund interest and 7 FTE to increase statewide infrastructure investment. This will enable the Department to expand its loan and grant efforts and provides $500,000 to hire consultants to assist small communities in preparing grant and loan proposals.
- $839,506 Other Funds from revolving loan fund interest and $156,000 Federal Funds from brownfields and Community Development Block Grant funds and 9 FTE to maintain statewide infrastructure investment. The positions will enable the Department to support infrastructure investment funding approved by the 1999 Legislature.
- $650,000 Other Funds and 4 FTE for telecommunications infrastructure implementation. SB 622 (1999) established a telecommunications infrastructure plan that provides funding by the telecommunications carriers who opt into the alternative form of regulation to support local telecommunications infrastructure projects and Department administrative expenditures.

ECDD – Community Development Fund

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	975,000	0	0	0
Lottery Funds	31,002,726	29,784,481	40,320,760	32,384,760
Lottery Funds - Carryover	7,516,300	7,150,000	10,483,336	7,150,000
Other Funds	1,193,295	18,969,796	28,604,988	28,604,988
Federal Funds	35,613,732	34,803,545	50,282,006	48,166,006
Nonlimited	57,228,527	98,634,351	207,685,946	339,940,847
Total	**133,529,580**	**189,342,173**	**337,377,036**	**456,246,601**

Program Description

The Community Development Fund contains the funding that is allocated by the Economic and Community Development Commission for business and industry opportunities, regional development, community assistance, small business assistance, and ports programs. The Legislature consolidated funding in the Community Development Fund for programs that had previously received line-item allocations. These programs included: the Strategic Reserve Fund, Small Business Development Centers, Marketplace, Government Contract Acquisition Program (GCAP), Business Finance, Regional Strategies, Rural Investment Fund, Rural Development Initiatives (RDI), Livable Oregon, Water / Waste Water Fund, Special Public Works Fund, Ports Revolving Loan Fund, Marine Navigation Fund and Oregon Coastal Zone Management Association (OCZMA). The program also includes federal resources used to finance local programs and projects. Each federal resource retains its identity for purposes of eligibility and federal reporting, but is considered as part of the Community Development Fund for statewide resource prioritization and allocation. It also includes other fund resources used to finance local programs and projects, either through a loan or a grant, and includes other funds resources for business finance. Each other funds resource retains its identity for purposes of eligibility and reporting, but is considered as part of the Community Development Fund for statewide resource prioritization and allocation.

Revenue Sources and Relationships

Community Development Fund revenues include fees and service charges, interest earnings, loan repayments, federal grant funds, and over $339 million in nonlimited Other Funds from the sale of program specific revenue bonds and lottery backed bonds. Programs include the Special Public Works Fund, Industrial Revenue Development Bonds, and Water / Wastewater Funds for the investment of proceeds from lottery backed bond sales. Other Funds revenues include $22.6 million for the Safe Drinking Water Revolving Loan Fund and a lottery fund bond program to provide the state match for the Safe Drinking Water program. Other Funds revenue also includes $27.1 million in interest income and $20.3 million in loan repayments. Lottery Funds carryover represents unspent lottery allocations from prior biennia, generally for projects which are begun but not yet completed in the current biennium, which are carried forward for expenditure.

Budget Environment and Performance Measures

The bonding authority, managed through the Oregon Bond Bank, for the Special Public Works Fund, the Water / Wastewater Fund, and the Industrial Revenue Development Bond program, was increased from $100 million to $200 million in 1993. The Legislative Assembly has provided more flexibility in the use of funds for financing activities across program lines, adding to the loans, grants and bonds issuance that are processed. In addition, a new and ongoing program has been added with the Safe Drinking Water Revolving Loan Fund and the bonding authority that has been provided for the 20% match.

The 1999 Legislature approved an increase of $126.3 million, primarily as a result of revised assumptions about nonlimited bonding activity, and increased Other Funds limitation for bond proceeds. The Legislature approved a total Lottery funded bonding limit of $45 million for the following projects:

- $5 million for the state's matching fund for the Federal Safe Drinking Water Revolving Loan Fund. (The Health Division receives the principal $25 million for 1999-01 and contracts with the Department to administer the program. The 1997 Legislature bonded $6 million in state matching funds for the Federal Funds allocated in 1997-99);
- $40 million for sewer, water and community infrastructure needs;
- $17.7 million for the state's share of future Columbia River channel deepening (The total state share is estimated to be in the $25-30 million range, and funding is expected to be required in 2001-03.); and
- $20 million in bonding authority for a Coos Bay natural gas pipeline.

Governor's Budget

The Governor's budget includes $225 million in lottery-backed bonding authority for community development programs. This authority, combined with the $9.1 million in Department of Environmental Quality sewer bonds and $34 million in housing incentive fund bonds in the Housing and Community Services Department, will use all of the remaining bonding capacity for lottery-backed bonds. As the bonds are repaid, the Governor estimates that $75 million per biennium in repayments and earnings will become available as a permanent community development funding source.

The Governor's budget transfers $6.7 million in funding for Columbia River channel deepening from the Lottery Funds allocation specified in SB 710 (1997) to lottery-backed bonds. As noted above, the budget also assumes a transfer of $1.3 million in revolving loan fund interest to the Health Division for drinking water support. The budget includes a $600,000 reduction in Lottery Funds for community assistance programs and a $670,000 reduction in unspecified projects funded out of the Oregon Unified International Trade Fund in SB 710. Since most Lottery Funds in the Community Development Fund are distributed to regional and rural programs for local allocation decisions, there will be a reduction in the Lottery Fund resources for these programs.

The Governor's budget for Community Development Programs is an increase of $266.9 million (141%) over 1999-01 estimated expenditures, primarily as a result of revised assumptions about nonlimited bonding activity. The Governor's budget proposes an increase of $118.9 million (35.2%) over current service level estimates and includes:

- $132.3 Nonlimited Other Funds for expanded infrastructure projects and for projects authorized by the 1999 Legislature, including sewer, water and community infrastructure needs. This assumes that $225 million in increased lottery-backed bonding authority is approved by the Legislature.
- $1.9 million in Federal Funds for the Brownfields Cleanup Revolving Loan Fund. This represents federal capitalization of this loan fund.
- A $7.9 million reduction in Lottery Funds, including the shift of $6.7 million in Columbia River dredging to bond proceeds and $1.3 million in unspecified reductions. In addition, a technical adjustment will be needed to add $3.3 million in Lottery Funds carryover for Columbia River channel deepening that was allocated but not expended in the 1999-01 biennium. The Governor's current service level did not include this limitation.
- A $2.1 million reduction in Federal Funds that includes a $4 million Federal Funds reduction to reflect the transfer of Community Development Block Grant housing rehabilitation funds to the Housing and Community Services Department and an increase of $1.9 million for the Brownfields Cleanup Revolving Loan Fund.

The current service level has been adjusted to add the $3.3 million Lottery Funds carryover limitation. A technical adjustment will be needed to add this limitation in the 2001-03 budget.

ECDD – Tourism Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	0		1,630,000
Lottery Funds	5,793,256	6,244,165	6,411,021	6,411,021
Other Funds	37,948	503	171,924	127,417
Federal Funds	232,319	67,681	256,250	256,250
Total	**6,063,523**	**6,312,349**	**6,839,195**	**8,424,688**
Positions (FTE)	9.00	10.00	10.00	11.00

Program Description

The Tourism Commission is a marketing agency for Oregon's statewide visitor industry. Tourism produces ad campaigns, and publishes literature on campgrounds, hotels/motels and restaurants that are available around the state. The 1995 Legislative Assembly replaced Tourism's statutory advisory committee, the Oregon Tourism Council, with the Oregon Tourism Commission. The Commission, which is appointed by the Governor, has policy authority over the tourism function. Administrative authority over the staff support and financial administration of the Tourism remains with the Economic and Community Development Department. The Commission works to increase public and private partnerships to promote tourism.

Revenue Sources and Relationships

The primary source of revenue for Tourism is Lottery Funds. It also receives revenue from publication sales and anticipates increased revenue from its public/private partnership initiative. The program received a $250,000 U. S. Forest Service Federal Funds matching grant to promote tourism.

Budget Environment and Performance Measures

Tourism works in partnership with the private sector, state and federal agencies (Parks, U.S. Forest Service, and ODOT), Department programs such as trade industries, local and regional visitors associations, and domestic and international travel programs to promote Oregon tourism. Tourism also formed partnerships with other states and Canadian provinces in the Pacific Northwest. Tourism estimates that close to $20 in visitor spending is generated for each state dollar invested.

Governor's Budget

The Governor's budget is a $2.1 million increase (33.5%) over 1999-01 estimated and $1.6 million (23.2%) above 2001-03 current service level estimates. It includes $1.6 million General Fund to support the Governor's Agricultural Tourism initiative.

A technical adjustment will be needed to restore $44,507 in Other Funds limitation that was reduced in the Governor's budget to provide an ending balance to fund anticipated salary adjustment costs. Since staff in this program is paid with Lottery Funds, the proposed reduction would not provide the resources for the salary adjustment.

ECDD – Film and Video Office

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Lottery Funds	918,451	948,788	972,508	972,508

Program Description

The Film and Video Office is a marketing agency for Oregon's statewide promotion of film, television and information services. The 1995 Legislative Assembly authorized the semi-privatization of the Film and Video Office, which provides the program with greater flexibility in marketing activities. The Economic and Community Development Department is responsible for the pass-through of Lottery Funds to the Office. The Office produces ad campaigns, publishes literature on sites and facilities that are available around the state for movie and television production, and is involved in the development of information infrastructures (including fiber optics and telephone linkages). The Office also works with Oregon's software developers to promote software products.

Revenue Sources and Relationships

The Office is supported by Lottery Funds.

Governor's Budget

The Governor's budget funds the program at the current service level. Increases to 1999-01 estimated expenditures reflect standard inflationary assumptions.

ECDD – Oregon Arts Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,751,490	2,820,831	2,428,021	2,428,021
Other Funds	188,333	127,099	134,818	234,818
Federal Funds	1,156,190	1,157,561	1,675,699	1,675,699
Total	**4,096,013**	**4,105,491**	**4,238,538**	**4,338,538**
Positions (FTE)	5.46	5.00	5.00	5.00

Program Description

The Arts Commission is responsible for making the arts and culture available to all Oregonians by working with other agencies on a variety of initiatives in education, arts and tourism, and communications systems (such as the Oregon Public Broadcasting System). The Commission is responsible for a number of activities including: evaluating the impact of arts on Oregon's economy; distributing National Endowment for the Arts (NEA) funding for programs in Oregon; working with the leadership of local arts commissions; conducting assessment and maintenance to protect existing public art and approving new public art; and supporting Oregon's Art in Education program. The Commission became a part of ECDD in 1993.

Revenue Sources and Relationships

The Arts Commission receives federal NEA funding, Lottery Funds, and Other Funds from the 1% for Arts program and from donations. The 1% for Arts program is a state law which requires that 1% of appropriations to construct or alter certain state buildings must be used for the acquisition of art works. About 65% of the Commission's funds are used for special payments, which are grants to individuals and non-profit programs that support the goals of the Arts Commission.

Budget Environment and Performance Measures

In addition to its existing responsibilities, the Arts Commission is actively cooperating with the Tourism Commission to promote arts activities that draw visitors. Examples include art fairs, wine and jazz festivals, and performing arts and plays. The 1999 Legislature added $200,000 General Fund to support the Task Force on Cultural Development, and $300,000 General Fund to continue the Arts Reaching Youth Initiative.

Governor's Budget

The Governor's budget funds the Commission at the current service level and adds $100,000 Other Funds, from a transfer of General Fund from the Department of Administrative Services, to continue Arts Commission support for the Task Force on Cultural Development. The budget is an increase of $233,047 over 1999-01 estimated expenditures from increased Federal Funds estimates, and the General Fund is reduced by $392,810 from the phase-out of the Arts Reaching Youth Initiative and General Fund support in the Arts Commission for the Task Force on Cultural Development.

ECDD – Oregon Progress Board

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	679,328	761,874	709,133	809,133
Other Funds	364,123	373,079	480,673	480,673
Federal Funds	75,000	0		0
Total	**1,118,451**	**1,134,953**	**1,189,806**	**1,289,806**
Positions (FTE)	4.00	4.00	3.00	3.00

Program Description

The Oregon Progress Board consists of nine members appointed by the Governor. Functions include evaluating Oregon's progress in meeting the goals established in the Oregon Benchmarks; updating the benchmark measures; defining new measures; and addressing strategies for meeting the benchmark goals. The 1997 Legislative Assembly re-authorized the Progress Board as a statutory program.

Revenue Sources and Relationships

The Board is funded by a combination of General Fund and Other Funds. Other Funds support in 1995-97 included a $100,000 national award and foundation funds received for the benchmark program. The Board also receives Other Funds revenue from communities for the development of Community Benchmarks, and partners with other state agencies to fund statewide reports on the benchmarks.

Budget Environment and Performance Measures

The primary workload of the Progress Board has been the updating of the benchmarks and expanded work with communities. The Board has been directed by the Legislative Assembly to include benchmarks and agency progress in meeting the benchmarks as part of the state budget process. The Board was specifically directed to provide support to the evaluation of programs that provide services to children and families and provided $94,275 General Fund in 1999-01 for that effort.

Governor's Budget

The Governor's budget funds the program at the current service level and adds $100,000 General Fund for a literacy survey. The survey will be conducted in collaboration with the Office of Community Colleges and Workforce Development. Increases to the 1999-01 estimated expenditures reflect standard current service level adjustments.

ECDD – Lottery Pass-Through Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Lottery Funds	735,158	9,680,161	24,044,548	31,075,497

Program Description

This is a budgetary division that receives Lottery Funds and passes the funds through to a variety of entities.

Revenue Sources and Relationships

The division is supported with new Lottery Funds allocations.

Governor's Budget

The Governor's budget includes $5.9 million in Lottery Funds debt service on the $225 million of lottery-backed bonds proposed to be issued in 2001-03. The current service level has an increase of $21.1 (211.6%) over 1999-01 estimated expenditures from the roll-up of debt service costs for the $45 million in lottery-backed bonds issued in 1999-01.

Employment Department (OED) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,949,495	3,940,248	4,157,749	4,207,749
Other Funds	46,095,188	74,935,973	72,713,481	85,018,027
Federal Funds	126,435,323	148,152,612	140,004,915	235,973,057
Nonlimited	868,126,707	958,227,145	1,339,076,011	1,339,076,011
Total	**1,044,606,713**	**1,185,255,978**	**1,555,952,156**	**1,664,274,844**
Positions (FTE)	1284.73	1414.78	1289.38	1428.75

The Employment Department offers services in four program areas:

- Support the Unemployed provides wage replacement income to unemployed workers through the Unemployment Insurance (UI) system.
- Promote Employment / Develop the Workforce offers job placement and career development resources to job seekers and employers.
- Child Care promotes and regulates of child care related functions.
- Hearing Officer Panel conducts contested cases for approximately 70 state agencies.

Revenue Sources and Relationships

The Department's Federal Funds revenue sources include an allocation from the U.S. Department of Labor, estimated at $96 million for 2001-03, for administration of the Unemployment Insurance Program. This allocation is paid out of employer payroll taxes collected by the Internal Revenue Service under authority of Federal Unemployment Tax Act (FUTA). The Wagner-Peyser Act provides Federal Funds specifically for employment services; the Department expects to receive $32.7 million in 2001-03. The U.S. Department of Health and Human Services allocates Child Care Development Fund (CCDF) dollars to the Employment Department. Anticipated at $110 million for 2001-03, these funds are used for programs within the Child Care Division or allocated to child care related programs at other agencies.

The Oregon UI Trust Fund, with a balance of more than $1.5 billion, is an Other Funds revenue source created through dedicated employer payroll taxes collected by the Employment Department. These funds are designated for unemployment insurance compensation payments to qualified individuals. Federal Reed Act Funds, in the amount of $4.4 million, will come to OED as Other Funds for expenditures relating to UI Program administration. The Supplemental Employment Department Administrative Fund (SEDAF), with estimated 2001-03 revenues of $35.2 million, supports Other Funds administrative expenses throughout the Department. Penalty and interest on delinquent payment of employer taxes are deposited into the Special Administrative Fund. These funds are designated for administrative expenses or other needs as determined by the Director of the Department. The Fraud Control Fund is supported by interest earnings on delinquent repayments of UI benefit overpayments and is earmarked for costs associated with the prevention, discovery, and collection of those overpayments. The Employment Department also receives Other Funds from agencies for providing job placement services and conducting contested case hearings.

State General Fund dollars support child care regulation and some Child Care Resource and Referral activities.

Budget Environment and Performance Measures

The Employment Department's policy decisions and workload are directly affected by economic conditions and trends. National issues including economic growth, unemployment, inflation, consumer confidence, law changes, and the status of the federal budget all influence Oregon's economy. The Department must meet immediate needs of citizens while striving to accurately forecast changes in job growth, industry profiles, regional issues, age demographics, and workforce skills. Performance measures assist the Department in planning strategies, recognizing achievements, and identifying weaknesses of program activities. Each program maintains and monitors its own performance measures.

OED – Support the Unemployed

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	2,335,470	1,953,141	4,318,043	10,403,441
Federal Funds	79,783,044	95,484,642	92,966,090	93,216,688
Nonlimited	868,126,707	958,227,145	1,339,076,011	1,339,076,011
Total	**950,245,221**	**1,055,664,928**	**1,436,360,144**	**1,442,696,140**
Positions (FTE)	681.57	648.79	597.89	645.76

Program Description

The Support the Unemployed program's primary function is to provide wage replacement income through the Unemployment Insurance (UI) system to eligible unemployed workers while they are searching for suitable new employment. The program offers employment assessment and reemployment intervention assistance, along with identifying available programs for dislocated workers. Program staff make eligibility determinations, enforce UI laws, collect employer payroll taxes, and manage the unemployment trust fund. The Employment Appeals Board settles disputes about unemployment and employer tax related decisions. The Board, made up of three governor-appointed members, is a separate and federally funded entity located within the Department for administrative purposes.

Revenue Sources and Relationships

Federal Funds designated for operation of the UI system fund around 90% of the Support the Unemployed program budget. Other Funds revenue from the Supplemental Employment Department Administrative Fund (SEDAF) supports the remainder of the program. Payments of unemployment benefits to claimants are nonlimited and are paid from employer unemployment taxes collected by the Employment Department.

Budget Environment and Performance Measures

Federal funding allocated for the administration of the UI system has not been sufficient to fund the cost of administration for many years. As a result, the Support the Unemployed program is increasing its reliance on Other Funds revenue for program support. A $1 million reserve from SEDAF assists the program to accommodate workload fluctuations. Maintaining low staffing levels, introducing efficiency measures, and implementing new technology are ways the program strives to keep costs down. One successful use of technology is the Interactive Voice Response system, which enables claimants to file for UI benefits by phone and allows for easier claim processing, faster payment, and automated tax reporting. Much of the program's workload is dependent on economic conditions and the filing of initial unemployment claims. Estimated benefits are based upon state economic growth, the number of workers covered by the unemployment insurance program, and state wages.

The Support the Unemployed program has ten performance measures that monitor activities around tax reporting, benefit payments, UI hearings, and costs. Several of the measures are quantified and linked to Federal Desired Levels of Achievement (DLAs). Other measures are discussed in terms of change, rather than measured against a specific level of performance. The most dramatic change over the last two biennia is in a measure entitled "Average Cost per Unemployment Insurance Claim." This measure estimates the cost for processing one UI claim "product", which includes several aspects of processing a claim. Over the last three years the cost has increased although unemployment workload levels have remained relatively low. This increase is attributed to the staff cost of living adjustments, the upward reclassifcation of positions, and the growth of technology investments.

Governor's Budget

The recommended budget for the Support the Unemployed program is a 37% increase over 1999-01 estimated expenditures and a 1% increase over the current service level. The budget reduces staffing by 11 positions based on caseload estimates. Due to decreased federal funding for administration of the Unemployment Insurance Program, the budget shifts $3.9 million and 33 positions from Federal Funds to Other Funds. The Other Funds come from a special Reed Act appropriation and are contingent on passage of legislation. The budget adds $2.1 million and 15 positions for fraud control activities, paid for out of the Fraud Control Fund. Five limited duration positions are added due to ongoing work related to HB 3141, that allows partial transfer of unemployment insurance experience. These positions will focus on issues around retroactivity and database maintenance. The Governor's recommended budget provides for the continuation of current program delivery and expands focus on fraud control activities.

OED – Promote Employment/Develop the Workforce

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	700,000	0	0	0
Other Funds	42,775,119	54,453,045	45,968,098	52,187,246
Federal Funds	31,496,763	36,732,252	32,525,117	32,756,369
Total	**74,971,882**	**91,185,297**	**78,493,215**	**84,943,615**
Positions (FTE)	564.87	576.90	518.90	581.90

Program Description

The Promote Employment/Develop the Workforce program assists job seekers in finding employment by matching their skills with employers' requirements, and assists people in making career changes by providing labor market information and career development resources. The Department provides specialized placement services for targeted groups such as welfare clients, migrant farm workers, veterans, dislocated workers, ex-offenders, homeless individuals, youth, and disadvantaged workers.

Revenue Sources and Relationships

The Promote Employment/Develop the Workforce programs are funded primarily through federal Wagner-Peyser funds, SEDAF, Penalty & Interest revenues, and contracts for services. The Shared Information System (SIS), a database that provides cross-agency data on vocational training participants, is jointly funded by the Employment Department, the Department of Human Services, Department of Education, and the Department of Community Colleges and Workforce Development.

Budget Environment and Performance Measures

The Department continues to work with other agencies and develop technology to improve service delivery and reach more customers. The federal Workforce Investment Act (WIA), passed in 1998, established the One-Stop service delivery model as the "access" point for employment services. The Department supports the model by focusing on one-stop activities, such as sharing labor market information and training front-line staff, in conjunction with workforce partners. Touch-screen technology allows the Department to provide employment information to the public via kiosks in 157 locations, including retail stores, libraries and government offices. The Department's Internet web site offers interactive job services to customers 24-hours a day, 7-days a week. Employers place job openings with the Department directly via the Internet while job seekers access job openings and information about Department services. A statewide skills-based system, allowing job seekers to evaluate their current skills against the skills required for a specific position, should be operational on the web site in early 2001.

The program has six performance measures evaluating different aspects of job order and placement activities. Results of these measures have either held constant or increased since 1994. Increases in the numbers of job orders, repeat employer customers, and placements equate to an overall positive trend. An expanding economy, worker shortages, and increased emphasis on employer services all contribute to the results.

Governor's Budget

The recommended budget for the Promote Employment/Develop the Workforce program is a 7% decrease from 1999-01 estimated expenditures, but funds the current service level and expands programs. The decrease is due to phase outs of 1) JOBS Plus, $2.5 million Other Funds and 22 FTE, 2) Federal One-Stop Implementation Grant, $4.8 million, and 3) $477,009 Other Funds for additional contracted services in 1999-01. The Claimant Reemployment package adds $2.4 million and 22 positions for intensified reemployment services. The Contracted Services package continues the program's flexibility in administering employment contracts by establishing 41 limited duration positions to be filled based on workload demand and available funding.

OED – Child Care

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,249,495	3,940,248	4,157,749	4,207,749
Other Funds	984,599	947,492	679,698	679,698
Federal Funds	15,155,516	15,935,718	14,513,708	110,000,000
Total	**19,389,610**	**20,823,458**	**19,351,155**	**114,887,447**
Positions (FTE)	38.29	53.88	37.38	65.88

Program Description

The 1993 Legislature created the Child Care Division through the consolidation of child care functions formerly located in three separate state agencies. The Division ensures that families have access to child care information and services, administers federal child care funds for low income families, establishes basic standards for child care services, licenses child care centers and family group homes, and enforces mandatory registration of family child care providers.

Revenue Sources and Relationships

The Division oversees Oregon's allocation of the federal Child Care and Development Fund (CCDF) revenue, which is anticipated at $110 million for 2001-03, and receives Other Funds revenue from day care center and day care provider licensing fees. CCDF administration is provided through an interagency agreement with the Adult and Family Services Division (AFS) of the Department of Human Services. The funds are used to provide direct assistance to low income working and student parents, migrant workers, and parents receiving substance abuse treatment. CCDF funds are also used to develop dependent care information, referral programs and school-age child care programs. Licensing fee revenues, supplemented with the General Fund, support the child care facility licensing and regulation program.

Budget Environment and Performance Measures

Increases in the number of single parent families and dual income households are generating growing childcare needs in Oregon. As more parents work or attend school or training programs, the demands for an accessible, affordable, high quality child care system increase. The Division is attempting to support these demands through programs that enhance child safety and health, promote child care worker training, offer information on child care providers, and ensure compliance with state and federal child care laws.

The Child Care Division monitors and evaluates performance through four measures:

- Child Care Resource and Referral Services Used measures the percentage of parents using child care that access CCR&R services. The percentage has steadily increased over time, from 21% in 1990 to 64% in 1998.
- Availability of Child Care Resource and Referral Services tracks the percentage of Oregon counties served by a CCR&R agency. As of 1999 all counties are receiving CCR&R services.
- Affordability of Child Care measures the percentage of Oregon families spending 10% or less of their income on child care. The percentage has remained near 70% since 1992; the goal is to be at 75% in 2010.
- Supply of Child Care counts the number of child care slots available for every 100 children under age 13. CCR&R efforts to recruit and retain providers have increased the number from 15 in 1992 to 21 in 1998. The goal is to have 25 slots per 100 children by 2010.

Governor's Budget

The recommended budget for the Child Care program changes the movement of Child Care Development Fund (CCDF) dollars from the Employment Department to Adult and Family Services to an OED expenditure, instead of a direct revenue transfer. This accounting change, in the amount of $86,570,344, accounts for 91% of the budget's $95.5 million increase over the current service level. The Division's budget reflects a shift to more dependence on Federal Funds due to a projected $250,000 decrease in Other Funds licensing fee revenues. This shift is possible due to an increase in the amount of CCDF dollars received by the Employment Department.

Other recommended Federal Funds budget increases include:

- $2.7 million for increased child care services for parents who are post-secondary students or who are receiving drug and/or alcohol treatment.
- $2.6 million and 19.5 FTE to maintain on-site health and safety reviews of newly registered child care providers; this program was piloted in 1999. These positions will also investigate serious complaints against family child care providers.

- $1.1 million and 9 FTE to expand the on-site review program to include all registered child care providers.
- $2.5 million for Child Care Resource and Referral agencies to improve their services to citizens, which include provider referrals, provider recruitment, parent consultations, and information sharing.

OED – Hearing Officer Panel

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	0	17,582,295	21,747,642	21,747,642
Positions (FTE)	0	135.21	135.21	135.21

Program Description

In response to concerns about fair and impartial contested case hearings, the 1999 Legislative Assembly passed HB 2525 which established a pilot hearing panel within the Employment Department. The bill transferred hearing officers and related positions from the Department of Human Services, Department of Consumer and Business Services, Water Resources Department, Department of Transportation, Oregon Liquor Control Commission, and Construction Contractor's Board to the Employment Department. These positions, along with positions from the Employment Department's own hearings unit, created a new program area within the Department with program employees remaining physically housed at their originating agency. Called the Hearing Officer Panel, also referred to as the Central Hearings Panel, this 4-year pilot project began on January 1, 2000 and is scheduled to sunset at the end of 2003. The Hearing Officer Panel conducts contested case proceedings and may perform other services relating to dispute resolution. All state agencies, except those exempted in HB 2525, must use hearing officers from the panel.

House Bill 2525 also created the Hearing Officer Panel Oversight Committee. The committee is charged with studying the implementation and operation of the Panel and with making recommendations about those activities.

Revenue Sources and Relationships

Other Funds revenue of $21.7 million for the 2001-03 biennium from agencies purchasing hearing services supports the Hearing Officer Panel. Charges are based on actual and reasonable costs of conducting hearings.

Budget Environment and Performance Measures

The Hearing Officer Panel is working to streamline and simplify services to customer agencies. One of the Panel's goals is to provide accurate, informative, and timely invoices to agencies, thus allowing the agencies to adequately budget for hearing services. Another goal is to develop the ability to shift resources, hearing officers and operational staff, among program areas based on caseload demands. The Panel is seeing an increase in the complexity of cases and experiencing caseload growth in certain areas, expecting to hear around 27,000 cases in calendar year 2000.

The Panel has identified performance measures around the number of cases, hearing length, hearing cost, and order type. Performance measure baselines and targets will be established once sufficient data is gathered and analyzed.

Governor's Budget

The recommended budget for the Hearing Officer Panel funds the current service level and is a 24% increase over 1999-01 estimated expenditures. The increase is due to inflation in the cost of goods and services, scheduled merit increases, and full 24-month funding of the program. A package requesting additional limitation to relocate and consolidate Panel staff, specifically those staff housed at agencies with tight office space, was not recommended; agencies wishing to pursue consolidation will need to address this issue within their respective budgets.

Oregon State Fair and Exposition Center (FAIR) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	736,655	698,934	696,884	1,500,000
Lottery Funds	0	1,176,677	2,244,212	2,244,212
Other Funds	10,968,342	12,556,715	10,005,611	10,190,089
Nonlimited	1,079,068	1,422,252	1,311,128	1,311,128
Total	**12,784,065**	**15,854,578**	**14,257,835**	**15,245,429**
Positions (FTE)	36.61	37.82	37.74	34.79

* *The current service level is adjusted to reflect $668,635 in General Fund appropriated by the 1999 Legislature as an on-going program support.*

The Oregon State Fair and Exposition Center conducts an annual state fair of up to 17 days and provides services for ongoing exposition activities including recreational vehicle and organization meetings, concerts, and consumer products and services shows. The Fair responds to the needs and interests of visitors, participants, exhibitors, concessionaires, vendors, and facility users.

Budget Environment

The Fair is not generating sufficient revenue to fund operations and maintain its facilities. A 1998 performance audit by the Joint Legislative Audit Committee found that: the Fair was failing financially and risked default on its bonded indebtedness; attendance at the Fair had declined; facilities had not been adequately maintained and improved; and there was no consensus on the future of the Fair. The 1999 Legislature responded to these issues by directing that an interim legislative committee develop a long-range strategic plan for the agency that addressed functions, funding, capital construction and maintenance needs, and ongoing operations. The 1999 Legislature approved $2 million in bonding authority for renovations, but withheld $8.6 million pending recommendations of the committee and approval by the Emergency Board.

Legislative leadership appointed a Joint Interim Task Force on the Oregon State Fair, consisting of legislative members, and representatives from the City of Salem, Marion County, and the Salem Area Chamber of Commerce. The Task Force held 5 meetings to review facilities, revenue, attendance and operations. The Task Force reviewed and approved the Modernization Master Plan, and incorporated Master Plan recommendations into the Strategic Plan for the Oregon State Fair and Exposition Center, which was submitted to the June 2000 meeting of the Emergency Board. The Emergency Board approved the issuance of $8.6 million in lottery backed bonds for facilities renovation in the 1999-2001 biennium, based on Task Force recommendations. The Task Force also identified the need for an additional $37.9 million in bonding authority to complete renovation and construction of fairgrounds facilities. The Task Force also recommended that the Oregon State Fair Commission be expanded to seven members and include county fair representation, and that horseracing should be discontinued at the Fairgrounds unless it could generate revenue for the Fair.

Governor's Budget

The Governor's budget is a 6.9% increase over the revised current service level and a decrease of 3.8% from 1999-01 estimated expenditures, primarily as a result of revised Other Funds revenue projections. It is a reduction of 2.95 FTE from the current service level and 3.46 from 1999-01 estimated staffing levels. The Governor's budget includes an $801,066 General Fund increase and a $2.4 million Other Funds decrease to 1999-01 estimated expenditures for operations. It also includes an increase of $1.1million in Lottery Funds to support debt service costs.

The budget does not include any of the $37.9 million identified in the Interim Task Force Master Plan for the renovation and construction of fairgrounds facilities, and halts the efforts undertaken in the 1999-01 biennium to begin the renewal of the Oregon State Fair and Exposition Center.

FAIR – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	736,655	698,934	696,884	1,500,000
Other Funds	10,968,342	10,556,715	10,005,611	10,190,089
Total	**11,704,997**	**11,255,649**	**10,702,495**	**11,690,089**
Positions (FTE)	36.61	37.82	37.74	34.79

Program Description

The agency is responsible for activities related to the annual Oregon State Fair and for ongoing Exposition Center functions. This includes all permanent and temporary staff, supplies, equipment, maintenance, and related support functions.

Revenue Sources and Relationships

In the 2001-03 biennium, the Fair is expected to receive $10.8 million in Other Funds revenue from grounds admission, commercial exhibit fees, ride and show admissions, parking, space rental fees, and food concessions, which is not sufficient to cover increases in fixed operating costs or to fund essential maintenance. The Fair has bonding authority for capital construction and renovation projects. To date, the Fair has met all of its debt service payment obligations. However, in 1997, it defaulted on the provision of its bond rate covenant that required the agency to maintain a fund balance of at least $632,000. A financial consultant was hired as required by the covenant. The financial consultant recommended rate and fee increases. However, these increases were not sufficient to meet the covenant requirement.

The 2000 Emergency Board approved the use of $556,855 in Lottery Funds, which had been allocated for debt service, for the covenant requirement. The debt service was lower than anticipated due to a delay in issuing lottery-backed bonds. The agency will carry forward the Lottery Funds until the debt is repaid during the 2005-06 biennium. The Department of Administrative Services will continue to unschedule these funds to ensure that the covenant requirement is met.

The Joint Interim Task Force was unable to identify any alternative funding source that would generate sufficient revenue to maintain facilities and operations. The Task Force directed the agency to evaluate the market potential for expansion before adopting provisions of the Strategic Plan. The agency was also directed to establish collaborative partnerships with government and private entities to provide in-kind support to the Fair.

Budget Environment

State Fair attendance figures have been declining over the past decade, although attendance stabilized between 1995-97 and 1999-01. Total events are projected to remain stable in the 2001-03 biennium. The agency competes with convention and exposition centers in the region. Many of these convention centers receive some form of subsidy from local governments, and have newer facilities. The agency has not historically received a subsidy, and would need to charge higher event rates to turn a profit. Also, the deteriorating condition of facilities affects the ability to generate additional revenues. The agency cannot significantly raise fees and remain competitive in this market. The Strategic Plan adopted by the Task Force assumes that, with facility renovation and construction, the agency will be able to expand the number of events and charge somewhat higher rates. However, state funding will be required for facility renovation and for ongoing maintenance.

The 1999 Legislature approved a $698,934 General Fund subsidy to enable the annual State Fair to continue programs, such as agricultural and floral exhibits, that are key to the mission of the agency but do not generate sufficient revenue to cover costs, and to meet cash flow requirements. The Fair subsequently identified an additional shortfall of $1.1 million. This deficit included $600,000 needed to maintain operations for the 1999-2001 biennium and $632,000 needed to meet bond covenant requirements. As noted above, the Emergency Board approved the use of $565, 855 of unused Lottery Funds bond debt service to meet the bond covenant requirement. The Emergency Board also allocated $600,000 from the Emergency Fund to fund the shortfall in agency operations.

Governor's Budget

The current service level has been adjusted to restore $668,635 General Fund that the 1999 Legislature appropriated for ongoing program subsidy. The Governor's budget had reduced that amount in the current service level and restored it as a program option package.

The Governor's budget for Operations is an increase of $803,116 General Fund over the adjusted current service level and an overall increase of 3.9% above 1999-01 estimated expenditures. As noted above, the FTE are reduced below current service level and 1999-01 estimated staffing levels. The General Fund increase partially offsets declining agency revenue from Annual State Fair and Exposition events.

The General Fund restoration is not sufficient to cover actual operating requirements, including:

- $3.6 million for maintenance based on Department of Administrative Services standards for the maintenance of state facilities.
- $292,480 General Fund to convert the agency Apple Macintosh computer system to the Microsoft Windows platform that is standard for State agencies. The current system cannot effectively communicate with other State applications.
- $230,000 General Fund to replace equipment and vehicles that are unsafe and beyond repair. This includes a 1967 tractor, a 1976 van, a 1968 air compressor and a 1973 sweeper. This equipment is necessary to maintain both Fair and Exposition events and to attract the revenue generated by these events.

FAIR – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Lottery Funds	0	1,176,677	2,244,212	2,244,212
Nonlimited	1,079,068	1,422,252	1,311,128	1,311,128
Total	**1,079,068**	**2,598,929**	**3,555,340**	**3,555,340**

Program Description

This program pays the principle and interest on construction bonds.

Revenue Sources and Relationships

The program receives revenue from operations and is proposed to receive lottery funds revenue to repay debt service on the capital construction and improvement bonds.

Governor's Budget

The Governor's budget funds this program at the current service for existing debt service costs. These costs are increased by $1,513,266 from 1999-01 estimated expenditures, as a result of increased Lottery Funds for debt service.

FAIR – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	0	2,000,000	0	0

Program Description

This program reflects bond proceeds for capital construction. The 1999-01 estimated number understates total bond proceed expenditures for the 1999-01 biennium, since an additional $8.5 million in bond proceeds were received from bond sales in August 2000. The Fair estimates that up to $6.5 million of these proceeds may be expended before the end of the 1999-01 biennium.

Revenue Sources and Relationships

The program receives bond proceeds for capital construction.

Governor's Budget

The Governor's budget does not authorize additional bond proceeds for the $37.9 million in capital construction and renovation identified in the Oregon State Fair and Exposition Center Modernization Master Plan adopted by the Joint Interim Task Force on the Oregon State Fair.

Oregon Historical Society

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	840,905	1,264,450	1,296,061	1,296,061
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Oregon Historical Society (OHS) was chartered by the state in 1898 to collect, preserve, exhibit, and publish materials of a historic character. The OHS is a nonprofit organization that is financed largely by membership fees, contributions, and publication sales. The state provides a supplemental grant through the Department of Administrative Services.

Governor's Budget

The Governor's recommended budget is to provide the same amount of support provided in the 1999-01 biennium plus 2.5% for inflation.

Housing and Community Services Department – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	13,885,139	14,984,477	13,998,568	14,159,791
Lottery Funds	2,357,000	0	1,317,940	3,154,385
Other Funds	21,404,264	37,315,294	34,653,150	97,513,451
Federal Funds	61,268,105	65,085,622	66,603,779	76,610,012
Nonlimited-Other	704,250,137	743,002,323	602,861,599	599,861,599
Nonlimited-Federal	55,756,610	54,945,614	153,000,000	153,000,000
Total	**858,921,255**	**915,333,330**	**872,435,036**	**944,299,238**
Positions (FTE)	103.52	122.22	118.13	141.21

Program Description

The Housing and Community Services Department provides financing and support for the development of affordable housing in the state and for the delivery of services for economically needy Oregonians. The Department works with public, nonprofit and for-profit organizations to provide affordable housing and with community-based organizations to deliver other services. The Department administers federal and state programs to alleviate homelessness and poverty and also directs the state's mobile home park ombudsman program. The State Housing Council, a seven-member, Governor-appointed board, provides program and policy oversight of the Department. The Council meets monthly and approves single-family residential loans over $150,000 and all other qualified loans and grants over $100,000.

Nearly 80% of the Department's total expenditures are related to its bond programs and federal rent subsidies and, therefore, are nonlimited. Bond revenues finance low-interest, single-family mortgages and multi-family housing for low-income and / or senior households. General Fund appropriations are used for homeless and emergency food assistance programs. Other Funds and Federal Funds provide federal housing subsidies, grants to housing developers for low-income housing construction, technical assistance to communities and nonprofit housing developers, weatherization and other energy conservation efforts, heating cost subsidies, food distribution and nutrition programs, the mobile home ombudsman program, and oversight of state-financed housing projects.

Revenue Sources and Relationships

The Department's budget is supported primarily by Other and Federal Funds (98% of the 2001-03 recommended budget). Other Funds revenue sources include proceeds from the sale of bonds, mortgage loan principal repayments, Community Integration Project (CIP) loans, interest from investments, renters' refundable deposits, gains on sales of investments and foreclosed properties, and mortgage insurance. Most of the Department's Federal Funds come from the HOME program, Section 8 federal rent subsidies, community services block grants, low-income energy assistance block grant, emergency shelter grant, and weatherization assistance funds.

In 1991, the Legislature appropriated $14 million General Fund to establish the Oregon Housing Trust Fund, which is administered by the Department and used to subsidize construction of new, or rehabilitation of existing, affordable housing. In 1993, $1.5 million was added to the corpus, bringing the total to $15.5 million. Trust fund grants can be used for actual construction or rehabilitation costs, mortgage subsidies for eligible multi-unit projects, preservation costs of affordable housing, and pre-development costs such as planning, feasibility studies, appraisals, and architectural plans. The trust fund principal is preserved, and only the interest is used for housing development grants. The trust fund produces about $775,000 per year at a rate of 5 percent. The corpus of the trust fund has not been increased since 1993.

Budget Environment and Performance Measures

Several factors indicate that the demand for affordable housing will continue to outpace the available supply in the next biennium. Oregon population is expected to increase by 1.1% annually over the next biennium, and housing costs continue to outpace wage growth in the state, suggesting that fewer properties will be affordable for low-income residents. The expected population growth and increases in housing costs likely will increase the demand for all types of housing including low income, affordable housing, and emergency shelter.

Another factor adversely affecting the supply of affordable housing is the expiration of time periods agreed to on some multiple family, affordable units. In other words, the owners of these units have maintained them as below-market rentals for the required length of time and can, therefore, convert these units to market-rate rentals. This diminishes the inventory of affordable housing at a time when the demand for new units is still outpacing the supply of such units.

While the Department's programs provide financial support for developing affordable housing, the cost of construction or rehabilitation is such that many units command rents that are still too high for many residents whose income is at or below 50% of the median income level. As a result, a large segment of this population is unable to qualify for the affordable housing developed under the Department's programs or must pay 50% or more of their disposable income for housing.

Homelessness continues to increase in Oregon, and as homelessness grows the problem of hunger also grows. The number of homeless or at risk of homelessness persons seeking shelter was 8,840 on any given night during the last year. Of those individuals, 2,144 were turned away due to lack of space or funds to provide shelter. Oregon ranks as one of the highest states in terms of food insecurity. Emergency food use has been on the rise in Oregon despite a strong economy and relatively low unemployment.

The Department identified primary links to four benchmarks and secondary links to three. These benchmarks deal with homelessness, percentage of seniors living independently, percentage of households that are owner occupied, and percentage of low income households spending more than 30% of their household income on housing.

The Department identified nine output performance measures. A description of the measure and recent output data are listed below. No target rates have been established for any of the measures.

- Number of households provided with energy and weatherization assistance. This determines the number of households benefiting from the federal LIEAP energy and weatherization programs and the Native American Weatherization Program. The FY 1999 rate was 30,442.
- Number of individuals provided with Community Assistance. This measures the number of individuals provided assistance through Community Action Agencies. The FY 1999 rate was 1,766,972.
- Number of individuals provided with shelter or transitional housing. This measures the number of individuals participating in the State Homeless Assistance Program and the Emergency Shelter Grant Program. The FY 1999 rate was 307,990.
- Number of families permanently housed through housing assistance programs. These programs include the Low Income Rental Housing Fund and the Supplemental Assistance Facilities to Assist the Homeless programs. The FY 1999 rate was 882.
- Number of individuals provided with food and nutritional services. These services are provided through the Emergency Food Assistance Program, the Commodity Supplemental Food Program, and the Tribal Commodity Program. The FY 1999 rate was 400,827.
- Number of single family residential loans established. This measures the participation in the Single Family Residential Loan Program and the Oregon Rural Rehabilitation Loan Program. The FY 1999 rate was 1,476.
- Number of multifamily housing developments financed. These developments are financed through the Risk Sharing Program with the federal Housing and Urban Development Department. The FY 1999 rate was three.
- Number of elderly and disabled housing developments financed. This measures the number of permanent mortgage loans provided through the Elderly and Disabled Loan Program. The FY 1999 rate was 42.
- Number of developments funded with housing tax credits and grants. This measures the number of developments financed through the Low Income Housing Tax Credit Program, the Home Investment Partnership Program, the Oregon Affordable Housing Tax Credit Program, the Housing Development Grant Program, and the HELP Program. The FY 1999 rate was 59.

The level of funding in the different programs impacts the results of many of these measures.

Governor's Budget

The Governor's recommended budget reflects a 3.2% increase in total funds when compared to the 1999-01 estimated expenditures, with a 5.5% decrease in the General Fund appropriation. The General Fund decrease is due to a reduction from the current service level and the phase-out of one-time expenditures.

The Governor's budget includes, however, increased funding for the following:

- $1,400,000 General Funds and $6,410,731 Other Funds for Housing Development / Homeless Assistance to address homeless and poverty issues;
- $157,000 Other Funds and $5,000,000 Federal Funds to implement the federal HUD Lead Safe regulations and to expend the federal Community Development Block Grants;
- $30,860,965 Other Funds that are from Lottery-backed revenue bonds aimed at revitalizing downtowns and mainstreets, developing affordable housing near jobs and transportation and helping rebuild rural and distressed communities;
- $162,132 Other Funds to enable the Department to perform its statutory function of maintaining housing data and related information;
- $161,223 General Funds, $100,000 Other Funds and $4,912,690 Federal Funds to transfer the Oregon Community Services Commission to the department from the Department of Community Colleges and Workforce Development;
- $23,669,675 Other Funds and $93,543 Federal Funds to expend the funds the department will receive as a result of SB 1149 (1999-Energy Deregulation) to provide energy assistance to low income families and individuals;
- $1,368,193 Other Funds for the department to provide contract administration services for HUD; and
- $1,601,600 Other Funds to relocate the department offices to the proposed Natural Resources building scheduled for completion in December 2002.

Oregon Public Broadcasting

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,259,250	3,350,509	3,434,272	3,434,272
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Oregon Public Broadcasting (OPB) is an educational and public broadcasting network serving Oregon through noncommercial public television and public radio stations. The 1993 Legislative Assembly privatized OPB and provided for a supplemental grant through the Department of Administrative Services.

Governor's Budget

The Governor's recommended budget is to provide the same amount of support provided in the 1999-01 biennium plus 2.5% for inflation.

Oregon Department of Veterans' Affairs (ODVA) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,367,395	2,582,497	2,531,848	2,531,848
Other Funds	25,235,373	32,495,938	36,433,773	39,256,908
Nonlimited	1,425,099,294	822,006,369	948,713,402	948,798,402
Total	**1,452,702,062**	**857,084,804**	**987,679,023**	**990,587,158**
Positions (FTE)	248.93	175.00	165.00	165.00

The Oregon Department of Veterans' Affairs (ODVA) has three program areas: the Veterans' Loan Program, the Veterans' Services Program, and the Veterans' Home Program. The Veterans' Loan Program, funded entirely through Other Funds, provides loan servicing and Department administration. It is responsible for repayment of approximately 59% ($1.4 billion) of the State of Oregon's general obligation debt. The Veterans' Services Program provides counseling, claims assistance, conservator services, and partnerships with counties and organizations to support local veterans' programs. The Veterans' Services Program is funded with General Fund and Other Funds from conservatorship fees. The Veterans' Home Program operates a skilled nursing care and Alzheimer's Disease facility in The Dalles, Wasco County.

ODVA – Loan Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	20,120,517	22,379,064	22,831,967	22,831,967
Nonlimited	1,425,099,294	822,006,369	948,713,402	948,713,402
Total	**1,445,219,811**	**844,385,433**	**971,545,369**	**971,545,369**
Positions (FTE)	162.10	152.10	142.10	142.10

Program Description

The Loan Program provides home acquisition and home improvement loans to veterans at favorable interest rates. Since 1945, the Department has made over 332,000 home and farm loans with a principal amount over $7.4 billion. The Program is made up of:

- Director's office - communications, program evaluation, and human resources.
- Loan Services - functions dealing with the loan program, including originating and servicing the loans;
- Financial Administration - overall financial oversight of the Department, including accounting, information services, records, and financial management.
- Administrative Services - services loans and contracts once they are delinquent, and provides general support to the agency for daily operations (data entry, forms, procedures, word processing, building management, mail, motor pool, collections, etc.)

Revenue Sources and Relationships

The largest sources of ODVA Other Funds revenues for the 2001-03 biennium are veteran loan and contract-related repayments ($450 million), interest earnings ($270 million), bonding authority ($150 million), insurance premiums ($10 million), and other service charges, licenses, fees and miscellaneous revenues ($4.15 million). With the passage of Measure 83 in the November 2000 General Election, the Department is seeking an increase in bonding authority of $150 million. The bonds are retired through principal and interest payments from borrowers and earnings from invested funds.

Budget Environment and Performance Measures

Prior to the passage of Measure 83, the Veterans' Loan Program was prohibited from making loans to any veteran who entered active military duty after December 31, 1976. Passage of the Measure now allows certain post-1976 veterans to become eligible for a home loan through ODVA. The demand for home loans is expected to rise somewhat, yet is projected to continue to decline overall as older mortgages are paid off. During the past several biennia, the loan portfolio has been declining; as of October 2000 there are 24,854 accounts being serviced. Low interest rates have led to an increase in early loan repayment and lower investment yields, which negatively impact the loan program's financial performance. Most outstanding debt is fixed rate, noncallable debt. ODVA's farm/home loan delinquency rate has improved greatly over the years.

The Home Loan Program has one performance measure linked to the Oregon Benchmarks: Benchmark 36 – State general obligation bond rating (Standard and Poor's). The intermediate outcome measure tracked by ODVA in support of this benchmark is its 90+ Day Delinquency Rate. ODVA's Home Loan Program is responsible for the repayment of approximately 59% ($1.4 billion) of the State's general obligation debt. Maintaining the program's solvency protects the bond rating of the State of Oregon. This measure illustrates ODVA's 90 plus day delinquency rate, on a quarterly basis, for its home loan portfolio. The March 2000 delinquency rate was 0.38 percent. During the previous 15 months the rate has ranged from 0.30% to 0.45 percent. No target rate has been identified.

Governor's Budget

The Governor's recommended budget of $22.8 million Other Funds is an increase of 2% over the 1999-01 estimated expenditure level and maintains the current service level. The budget phases out $790,623 Other Funds and 10 positions (10 FTE) due to reduced activity in the program. No enhancements are included in the budget.

ODVA – Veterans' Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,367,395	2,582,497	2,531,848	2,531,848
Other Funds	463,008	511,710	545,708	545,708
Total	**2,830,403**	**3,094,207**	**3,077,556**	**3,077,556**
Positions (FTE)	18.90	18.90	18.90	18.90

Program Description

The Veterans' Services Program includes:

- Counseling and claims ($859,900), which assists veterans, their dependents and survivors to obtain service-connected and non-service related benefits. Over 10,000 active veteran claims are currently being monitored. This program also provides outreach and assistance to individuals in state institutions, hospitals, domiciliaries and nursing homes, to help ensure that adequate care is being provided and that the federal VA pays its share of that care.
- The Conservatorship program ($1.15 million), which provides conservatorship services for veterans and their dependents that are determined to be "protected persons" and who 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. The staff serve as trust officers, file required legal reports, apply for all benefits due the veteran, and counsel with families, hospital personnel, social workers, and with protected persons to ensure their needs are met within the resources available. About 280 clients are currently under conservatorship.
- Educational assistance and Service delivery partnerships, which includes the Aid Program, Aid to Counties, and Aid to Veterans' Organizations ($1.06 million). Aid to Counties is an effective network of trained individuals operating in 34 Oregon counties which began in 1947 to help counties provide services to veterans on a local level. Up to 75% of the cost of administering each of the county offices is reimbursed, with a limit of $12,500 per year. Aid to Veterans' Organizations was established in 1949 and consists of partnerships with other veterans service organizations in Oregon, such as The American Legion, AMVETS, Disabled American Veterans, and Veterans of Foreign Wars. This aid was set at 50% in the 1950s, but has not been adjusted for inflation and now represents much less. Educational assistance provides financial help to offset some of the educational expenses of honorably discharged Oregon veterans whose GI educational benefits have been exhausted. The program also assists displaced and disabled veteran workers that return to school in order to change careers or upgrade skills.

Revenue Sources and Relationships

The revenue source for the Claims and Counseling section, educational assistance, and service delivery partnership programs is from the General Fund. The revenue sources for the conservatorship program are General Fund and Other Funds through fees. The 2001-03 estimated conservator fees are $545,708.

Budget Environment and Performance Measures

Oregon has approximately 356,000 veterans, 39,000 of whom served in the post-Vietnam era. Approximately one-third of Oregon's adult homeless population are veterans. The aging veteran population is increasing the demand for veterans benefits, assistance, and conservatorship services. Additional needs have been created by veterans of recent conflicts with claims resulting from the environment in which they served, including claims related to Agent Orange and Post Traumatic Stress disorders. The need for services is increasing at a time when the services available remain constant or may decline, especially at the county level. The state is required to provide educational aid to eligible veterans who request the aid; funding for Aid to Counties and Aid to Veterans' Organizations is discretionary. Oregon counties may discontinue or reduce their level of support for local Veterans Services Offices, leaving veterans without local services. This further increases the demand on ODVA for services. With the shortage of General Fund resources, the ODVA may have difficulty meeting the demand for service. ODVA's inability to provide service, however, could shift workload to state public assistance agencies.

There are a number of factors that affect the workload of the program, including the rapid evolution in health care programs, increasingly complex health claims, an aging war veteran population, and downsizing of the U.S. Armed Forces and resulting separation of veterans who use educational and vocational rehabilitation programs. The Department has dealt with the workload through a combination of improvements in processes and automation. However, projecting actual workload is difficult because the number of veterans who may access services is unpredictable.

The Veterans' Service Program Performance Measures include:
Benchmark 58 – Percentage of seniors living independently. The intermediate outcome measure monitored by ODVA for this benchmark is the Federal VA Compensation / Pension Benefits Per Oregon Veteran. Approximately 60% of the claimants served by the Veterans' Services Program are 65 years of age or older. By assisting veterans, their dependents and survivors obtain all federal monetary and medical benefits to which they are entitled. These programs are able to assist these seniors to maintain their independence as long as possible. The amount of federal VA benefits for Oregon veterans has steadily increased since 1992. The amount for FFY 1999 was $7,504. ODVA has not identified a target amount.

Governor's Budget

The Governor's recommended budget is a decrease of 0.5% from the 1999-01 estimated expenditure level, but maintains the current service level. The budget phases out $147,633 General Fund for a one-time donation to the National World War II Memorial. No program enhancements are included in the budget.

ODVA – Veterans' Home

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	4,651,848	9,605,164	13,056,098	15,879,233
Nonlimited	0	0	0	85,000
Total	**4,651,848**	**9,605,164**	**13,056,098**	**15,964,233**
Positions (FTE)	67.93	4.00	4.00	4.00

Program Description

The Oregon Veterans' Home in The Dalles, Oregon, provides skilled nursing and Alzheimers disease care to Oregon veterans. The 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 to a 35% state obligation contributed by Wasco County. The Home is operated with a philosophy of maximum resident independence and encouragement for the residents to function at their highest possible level.

Revenue Sources and Relationships

The Veterans' Home Program consists solely of Other Funds. Revenues are primarily moneys received from the residents of the Home, Medicare reimbursement, and a per diem amount received directly from the federal Veterans Administration. Veterans who reside in the Home receive benefits not available to them if they reside elsewhere. Veterans receive aid and attendance benefits with their regular pension, and their social security benefits also provide revenue with which to pay for their care in the Home. The total amount of revenue is based in part on the occupancy projections obtained from the Home's contrator.

Budget Environment and Performance Measures

Expenditures for the Home relate to the cost of providing residential care. Operation of the Home was contracted out to a health care service provider. Obtaining and maintaining a high occupancy rate at the Home is important to the financial condition of the Home. As of October 2000 there are 102 residents of the home, an occupancy rate of 68%, and the Alzheimer's Unit was full. The new contractor expects an 85% occupancy level by October 2001. Shortages of qualified nursing personnel have contributed to lower-than-expected growth in staffing and occupancy levels.

Other than occupancy levels, the Department has established no performance measures for the Veterans' Home Program.

Governor's Budget

The Governor's recommended budget of $15,964,233 funds the Veterans' Home at 22.3% above the current service level to account for increased occupancy and increased costs for contract residential care at the home. The budget also includes $85,000 Nonlimited expenditure authority from dedicated funds in the War Veterans' Fund as a result of donations made to the fund for the Veterans' Home.

NATURAL RESOURCES

Department of Agriculture (ODA) -- Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	22,839,802	23,806,084	24,986,067	23,919,896
Lottery Funds	0	3,900,000	3,867,510	3,694,039
Other Funds	34,414,621	35,992,707	41,071,117	42,513,926
Federal Funds	2,326,399	2,415,335	5,334,390	5,539,440
Total	**59,580,822**	**66,114,126**	**75,259,084**	**75,667,301**
Positions (FTE)	402.36	424.29	424.54	436.69

The Department of Agriculture's 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 activities. Producers are active in over 200 major commodity groups with a farm level value of more than $3.5 billion per year. Another $1.5 billion per year can be counted as value-added through food processing activities.

The Department consists of permanent staff and up to 450 seasonal employees. The permanent staff are primarily located in Salem, Portland, or one of nine regional offices. Some permanent staff in the Food Safety, Measurement Standards, and Animal Health and Identification Divisions work out of their homes. Seasonal employees are used to provide industry requested inspection services in the Commodity Inspection, Animal Health and Identification, and Plant Divisions and are located throughout the state.

ODA – Administration and Support Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,628,502	1,206,700	1,291,001	1,291,001
Other Funds	3,870,139	4,803,742	4,964,032	4,964,032
Federal Funds	5,355	0	71,173	71,173
Total	**5,503,996**	**6,010,442**	**6,326,206**	**6,326,206**
Positions (FTE)	40.04	43.04	43.04	43.04

Program Description

Administration and Support Services provides policy direction and support functions for the agency, including financial management, development and maintenance of information systems, public information, personnel, purchasing, budget development, grants administration, facilities management, and fleet operations. The Office of the Director is also included within the Administration and Support Services program area. The program also provides accounting services for the Beef Council and auditing services for the other commodity commissions.

Revenue Sources and Relationships

Approximately 20% of the program's expenditures are financed by General Fund dollars. Other Fund revenues include service charges, cost reimbursements, management assessments for central administrative services, and transfers from other and federally funded program areas. The method used to assess central administrative costs varies depending on the program's funding source. General Fund programs do not contribute to central services since the administration function receives a separate General Fund appropriation. Other Fund programs contribute based on a modified total budget formula where programs dealing primarily with pass-through funds are assessed at a lower rate. Federal Fund programs are assessed at a federally approved indirect rate. Federal Funds received directly by the Administration and Support Services program area are from the U.S. Department of Agriculture's Farm Services Agency.

Budget Environment and Performance Measures

The need for administrative and support service functions within the agency continues to rise as external demands on agency programs increase. The agency has expanded its use of the Statewide Financial Management System (SFMS) data warehouse for financial reporting functions during the past biennium. The system has allowed for enhancements in the analysis and reporting of business information to Department divisions. The agency has also expanded the use and capacity of the Department's internet site to include searchable databases and other agriculture based information.

The Administration and Support Services Division is developing measures to quantify performance by questioning its customers, both internal and external, on the success of program delivery. No measures are currently in place.

Governor's Budget

The Governor's recommended budget for Administration and Support Services is funded at the current service level with adjustments from the 1999-01 approved budget for inflation and computed salary changes. The total recommended budget of $6.3 million is a 5% increase from the 1999-01 estimated level. The recommended General Fund appropriation of $1.3 million for Administration and Support Services is up 7% from 1999-01 estimated expenditures. No staffing changes are proposed in the recommended budget for the program.

ODA – Food Safety Policy Area

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	5,745,584	6,144,781	6,618,654	6,291,828
Other Funds	12,361,322	14,294,938	15,631,163	16,401,376
Federal Funds	10,937	95,654	310,067	310,067
Total	**18,117,843**	**20,535,373**	**22,559,884**	**23,003,271**
Positions (FTE)	132.03	137.38	137.38	138.57

Program Description

The Food Safety Policy Area consists of the Food Safety, Measurement Standards, Animal Health and Identification, and Laboratory Services Divisions. These divisions are primarily responsible for addressing public concerns over the safety of the food supply, the regulation of livestock diseases, and the accurate labeling and packaging of food products and other goods.

- The ***Food Safety*** division's mission is to ensure a safe, wholesome and properly labeled food supply. The program is implemented by a combination of central support staff and field inspectors to license and inspect all food establishments except food service providers. The Division uses 33 field inspectors located throughout the state to sample food and inspect over 8,500 facilities including dairies, food processors, grocery stores and meat markets, food storage warehouses, bakeries, delicatessens, and home kitchens operated for commercial purposes. Inspectors examine food handling practices and equipment for safety and cleanliness and sample food for pesticide residues and food borne pathogens. The division also operates the shellfish program to monitor shellfish and their habitats for bacteria and toxins.
- The ***Measurement Standards*** division licenses and inspects measuring devices to prevent consumer fraud by ensuring goods are accurately weighed and measured. Devices licensed and/or examined by the Division include store checkout scales and scanners, gas station pump meters, truck scales, livestock scales, propane bottle fill and truck delivery meters, produce scales, and railroad track scales. The Division also provides official mass, volume, and length standards calibration services for the state and ensures motor fuels meet national quality standards. Weighing and measuring devices are licensed, inspected and certified by field inspectors. The Division includes 20 inspector positions, including 3 that were added in 1999. It is projected that the Division will examine 51,888 devices in 2000.
- The ***Animal Health and Identification*** division protects Oregon's human and animal communities from infectious animal diseases and deters livestock theft through the registration and inspection of livestock brands. The Division also regulates and permits exotic animals, regulates commercial feeds, and operates animal damage control programs in partnership with local governments and the U.S. Department of Agriculture. The Division includes the State Veterinarian, 67 brand inspectors, three field veterinarians, 2 investigators, five laboratory staff, and other program managers and administrative personnel. All cattle sold in Oregon and all cattle and horses leaving the state are brand inspected to ensure legal ownership. Veterinary products and commercial feeds are registered and monitored for compliance with state and federal laws.
- The ***Laboratory Services*** division provides analytical services for the Department's food safety, pesticide, natural resource, feed, and fertilizer regulatory programs. The lab program uses physical, chemical, microbiological, immunological, molecular, and chromatographic methods to test food and feed supplies. The Division also provides an export certification program to assist domestic companies in meeting the food safety import requirements of foreign countries. It also provides testing services to various other state

agencies and private entities. The regulatory food safety laboratory is now in a new facility in Portland, close to the Export Service Center laboratory.

Revenue Sources and Relationships

The Food Safety Policy Area is funded primarily through Other Funds consisting of licenses issued to wholesale and retail businesses, charges to public and private entities for lab analysis, veterinary product registration fees, livestock brand inspection service fees, and other registration fees and charges for services. Some services for federal agencies under service contracts are reported as Other Funds. Roughly 30% of funding comes from the General Fund. Federal funding consists of grants for Laboratory Services and funds for the Animal Health and Identification Division relating to brucellosis testing.

Budget Environment and Performance Measures

Several factors continue to contribute toward increases in workload. Population growth brings a corresponding increase in the number and complexity of food service establishments. Changes in commercial weighing, measuring, and packaging technologies have made monitoring measures and labels more difficult. The Division is responding to additional federal standards and increased demand for technical assistance from businesses. To assist with the growing workload, the 1999 Legislature authorized 10 additional positions for measurement inspection, continued 3 positions for food safety inspection, added 2 part time brand inspectors, and continued funding for positions in animal health.

The increased outbreaks of food borne disease over the past decade have raised concerns of scientists and regulatory agencies about the safety of the food supply. Contributing factors include globalization of the food supply, consumer preferences shifting toward fresh fruits and vegetables, and the emergence of virulent new microbes. Solutions include greater reliance on “systems approaches” encompassing all steps of the food production and handling chain and new federal safety food standards and regulations. Other solutions include food irradiation, wider use of pasteurization, additional educational outreach to the public and industry regarding safe food handling, and early detection and rapid response to outbreaks by food safety agencies.

The Food Safety Policy Area has several performance measures. The number of food safety inspections at retail stores has not increased substantially. Activities within the stores, however, have become more complex as retail stores may now include a meat market, bakery, deli, and other types of food processing. Inspections are now more complex and require more time. The recent addition of inspectors has allowed inspections to grow from 13,773 in 1999 to 14,765 in 2000, a 7.2% increase. The total number of weighing devices licensed has grown steadily from 41,050 in 1995 to a projected 48,650 in 2000. The percentage of tested devices that were rejected, however, has fallen from a high of 6,217 in 1998 to 5,018 in 1999. An even lower number of rejections are expected for 2000. The increased presence of inspectors may be influencing improved maintenance of measuring equipment throughout the state.

Governor’s Budget

The Governor’s recommended budget is roughly 2% above the 2001-03 current service level. The budget includes an increase in staffing of 1.19 FTE. Though the budget increases in total, General Fund expenditures are 4.9% below current service levels due to a $326,826 program reduction. The program reduction involves elimination of the Food Microbiology program, which tests ready-to-eat foods for pathogens in retail stores and small food processors. Special payments for the Shellfish Program are reduced by approximately one half. These reductions result in savings of $248,440 General Fund and 1.50 FTE. In addition, the General Fund portion of a Medical Technician 2 position is being eliminated in the Animal Health and Identification Division, along with associated services and supplies. The resulting savings total $78,386 General Fund and .31 FTE.

An additional $184,167 Other Funds is included to fund one position for the U.S. Department of Agriculture Organic program which will facilitate certifying private growers and processors of organic food in the state. The Laboratory Services Division is adding test kits for testing livestock diseases of concern to producers and consumers at a cost of $140,000 Other Funds. These costs will be recovered from lab fees. The Department intends to recover these costs through user fees. Two Natural Resource Specialists 3 positions at a cost of $361,668 Other Funds are included to meet an increased number of inspections and equipment tests and to conduct surveys and sampling for the Drinking Water Program. The budget also includes $84,378 Other Funds for salary reclassification of a Laboratory Manager, Microbiologist, Livestock Identification Manager, and 2 Food Safety Supervisors.

ODA – Natural Resource Policy Area

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	9,379,158	10,242,788	10,844,784	12,014,906
Lottery Funds	0	3,900,000	3,867,510	3,694,039
Other Funds	9,177,100	7,966,747	10,142,678	10,732,082
Federal Funds	2,170,670	2,274,275	4,891,918	5,096,968
Total	**20,726,928**	**24,383,810**	**29,746,890**	**31,537,995**
Positions (FTE)	121.77	134.93	135.18	145.14

Program Description

The Natural Resource Policy Area includes the Natural Resources, Pesticides, and Plant Divisions. These three divisions are responsible for protecting the state's agricultural natural resource base.

- The ***Natural Resources*** division mission is to conserve, protect, and develop agricultural natural resources on public and private land to ensure agriculture will continue to be productive and economically viable. The Division administers programs to: provide administrative oversight and financial assistance to Soil and Water Conservation Districts; regulate confined animal feeding operations (CAFOs); protect threatened and endangered plants; conduct field burning smoke management and research; implement agricultural water quality management (SB 1010); and conduct groundwater research and development. The Division consists of 31 Salem based staff and 8 field staff positions. Program staff includes positions added in support of the Oregon Plan to restore salmon populations and watersheds.
- The ***Pesticides*** division administers state laws regulating the availability of fertilizer and pesticide products, and the uses of these products. Fertilizer regulation involves the content of plant nutrients contained in fertilizers used for consumer, agricultural, and forest purposes. Naturally occurring materials, such as manure and compost, are not regulated. Pesticide regulation includes product registration, distribution and use recording, user licensing, and use of the products. Regulated products include herbicides, insecticides, fungicides, rodenticides, and other repellants and disinfectants used by consumers and commercially.
- The ***Plant*** division uses permanent staff and seasonal employees to detect and eradicate exotic insect pests, weeds, and plant diseases, and to inspect and certify nursery stock, Christmas trees, and seed crops for pests and diseases. The Division also includes inspection of imports of exotic raw logs and wood products. The program supports a forest pathologist position through fee revenues. The spread of exotic weeds on public and private land remains a growing concern for land managers. The State Weed Board helps set priorities for the control of nuisance invasive plant species and funds local and regional weed control projects.

Revenue Sources and Relationships

The Natural Resource Policy Area is funded by a variety of revenue sources. General Fund dollars and Lottery Fund revenues provide roughly half of the policy area revenue, but are provided primarily to the Natural Resources and Plant Divisions. The Pesticides Division receives General Fund as partial payment for the establishment of the statewide pesticide use reporting system. Lottery Funds were provided to the Plant Division beginning in the 1999-01 biennium for weed control activities from Measure 66 funds dedicated to salmon and habitat restoration. Lottery Funds are also provided to the Natural Resources Division for pass through to support Soil and Water Conservation Districts. Other Funds include revenue from licenses and fees, such as oyster fees, CAFO registrations, field burning fees, nursery and Christmas tree licenses, and pesticide applicator fees. Other Funds also includes revenue from reimbursable work and charges for services. Federal Funds are received for plant conservation and water quality programs through cooperative agreements with the U.S. Environmental Protection Agency, the U.S. Department of Agriculture, the Bureau of Land Management, and the Bonneville Power Administration.

Budget Environment and Performance Measures

Population growth in Oregon has led to increased competition for available natural 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. Nonpoint source pollution control, threatened and endangered plant species, confined animal feeding operations, pesticide reporting, and field burning alternative programs will continue to call for agency attention. The Natural Resources Division has also continued to develop model conservation plans for the 61 species on the state list of threatened and endangered plants.

The Department's Natural Resources Division has a prominent role in the state's Oregon Plan for the restoration of salmon and watersheds. The Division is charged with implementing aspects of the plan dealing with water quality standards in agricultural areas. Under the provisions of SB 1010 (1993) and the Oregon Plan, staff work with landowners to develop agricultural water quality management plans to meet state water quality standards in basins where agricultural nonpoint source pollution is a major factor. In conjunction with this effort, the Division also has positions dedicated to work with confined animal feeding operations (CAFOs) to improve the level of compliance with water quality regulations. State efforts to enhance salmon populations and riparian habitat have also focused attention on local Soil and Water Conservation Districts (SWCDs). The Natural Resources Division has worked with the existing 45 SWCDs to deliver conservation programs for water quality improvements and watershed management.

The Pesticides Division is responsible for implementing a statewide pesticide use reporting system established by the Legislature in HB 3602 (1999). The reporting system was designed with a phased-in approach using the 1999-2001 biennium to create a framework. The system also includes a mechanism to identify household pesticide use in addition to industrial and commercial uses. Once in place, the system will require ongoing maintenance support from the Division.

Performance in the Natural Resource Policy Area is currently measured primarily by tracking the number of SB 1010 plans adopted or in development, the number of CAFO inspections conducted annually, and the number of enforcement actions taken. The state's 91 sub-basins have been aggregated into 41 proposed planning areas. Currently, Agricultural Water Quality Management Plans have been adopted in 7 of these basins with plans in various stages of development in 18 other basins. This represents an increase from 2 adopted plans and 12 in development during 1999. The goal for CAFO inspections is at least one inspection per year for each permitted operation. Routine inspections have increased from 79 in fiscal year 1999 to 428 in fiscal year 2000. Total program activities, including inspections, educational reviews, complaint investigations, and inspection follow-ups, have increased from 196 in 1999 to 682 in 2000. Over the same period of time, enforcement actions in the form of water quality advisories, correction plans, notices of noncompliance, and civil penalties, have increased from 178 to 308.

Governor's Budget

The Governor's recommended budget for the Natural Resource Policy Area totals $31.5 million, a 29% increase from the 1999-01 estimated expenditures and a 6% increase from the current service level. The recommended budget includes a proposed General Fund appropriation of $12 million, up 17% from the 1999-01 appropriation and an increase of 11% from the current service level. Lottery Funds are continued, but down 5% from the 1999-01 allocation. Lottery Funds are included in the recommended budget to continue pass through funding for Soil and Water Conservation Districts and to support the Plant Division's Weed Control Program. The recommended budget includes an increase of 35% in Other Funds limitation from 1999-01 levels and an increase of 24% in Federal Funds expenditure limitation from last biennium's estimated expenditures. The recommended Other Funds expenditure limitation of $10.7 million is a 6% increase from the current service level while the Federal Funds recommended level of $5.1 million represents a 4% increase from the amount necessary to continue current programs.

The recommended budget includes several program enhancements or proposed fund shifts within the Natural Resource Policy Area.

- The Pesticide Reporting System established in House Bill 3602 (1999) is continued in the recommended budget with the addition of 5 new permanent positions and the full development of the pesticide use information collection system. The program was designed to be phased-in with a pilot system developed in the 1999-01 biennium followed by full implementation in January 2002. As enacted, HB 3602 authorized a maximum annual fee of $160 per registered pesticide product beginning with the 2001-03 biennium. Up to $40 of the fee is for use in developing and maintaining the pesticide use reporting system with the condition that the amount be matched by General Fund dollars. The program is proposed for implementation with $686,000 General Fund and $556,000 Other Funds. The funding is used to support the 5 new positions (5 FTE including a Natural Resource Specialist 3, an Information Specialist 8, an Information Specialist 7, an Information Specialist 4, and an Office Specialist 2) and to finance development of the pesticide database.
- The pesticide and fertilizer programs are enhanced with the addition of 4 permanent positions (3.25 FTE) including an Office Specialist 2 and three seasonal Laborer 1 positions. The positions would assist with the registration of pesticide and fertilizer products and the conducting of routine inspections. Funding is

provided through a combination of Other Funds from pesticide and fertilizer product registration fees ($33,404) and Federal Funds ($189,306).

- A new permanent Senate Bill 1010 (1993) Monitoring Coordinator position (1 FTE) is added to the Natural Resources Division for overseeing the effectiveness of adopted Agricultural Water Quality Management plans. The position, a Natural Resource Specialist 2, is funded with $108,721 General Fund in the recommended budget and would be responsible for providing technical and educational assistance to Soil and Water Conservation Districts on monitoring and for coordinating statewide monitoring activities related to agricultural water quality management efforts.
- To continue programs in support of the Oregon Plan funded in the 1999-01 biennium with Measure 66 Lottery Funds, the recommended budget includes several fund shift program option packages. The net effect of the packages is to reduce Lottery Funds by $421,096 while increasing General Fund support by $435,634. The fund shift is necessary due to potential shortfalls in Lottery Fund revenues to maintain current service levels of Measure 66 funded programs. With the additional General Fund, support for Soil and Water Conservation Districts and the Weed Control program are maintained at the current service level for the 2001-03 biennium.

The recommended budget also includes a $75,000 General Fund reduction for a one-time cranberry study and a $60,233 General Fund reduction associated with the elimination of a seasonal position in the Plant Pest and Disease program and miscellaneous services and supplies expenditures in the Natural Resources Division.

ODA – Agricultural Development Policy Area

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,597,989	2,655,595	2,734,695	3,923,082
Other Funds	8,192,039	8,543,199	9,840,422	9,840,422
Federal Funds	139,437	45,406	61,232	61,232
Total	**10,929,465**	**11,244,200**	**12,636,349**	**13,824,736**
Positions (FTE)	106.52	106.52	106.52	106.52

Program Description

The Agricultural Development Policy Area consists of the Agricultural Development and Marketing Division and the Commodity Inspection Division. The mission of the Agricultural Development and Marketing Division is to work with the state's agricultural producers to increase sales in both domestic and international markets through product and market development of high value-added food and agricultural products. The program provides producers with information on product positioning, market research, sales promotion, buyer access, logistical and transportation planning, and tariff and non-tariff barrier consultation. The Division organizes, coordinates, and participates in agriculture trade shows and wholesaler technical seminars in both offshore and domestic markets. The Division's primary geographic emphasis is on Pacific Rim markets, and to a lesser degree Europe and the Americas. Market research on reaching markets in the Middle-East and North Korea is planned for 2001-03. The program attempts to provide assistance to the state's small to medium sized companies in need of expanded markets while providing new trade opportunities to experienced exporting businesses.

The Commodity Inspection Division assists growers and industry in moving products into the domestic and international markets through inspection, grading, and certification. The Division ensures the proper labeling of seed, produce, and other products, protects grain deposits in public grain elevators, and certifies hay for export. The Shipping Point Inspection program provides inspection on over 3 billion pounds of produce (primarily potatoes) and 1.8 billion pounds of fresh fruit, vegetables, and nuts each year. The Division seeks to protect consumers and producers through the detection of questionable seed industry practices and through the grain inspection and grain warehouse programs.

Revenue Sources and Relationships

The Agricultural Development and Marketing Division is funded primarily by the General Fund. The Division historically was a General Fund program until a shift to lottery funding occurred in the 1995-97 biennium. The 1997 Legislature returned the Division to General Fund. The Division receives a small amount of Other Funds from outside marketing projects. Federal Funds are received for special commodity marketing projects.

The Commodity Inspection Division is almost entirely funded by Other Funds revenues from inspection fees, establishment licenses, sales, and contract projects with non-governmental and governmental units. A minimal General Fund amount supports inspections of licensed grain warehouses throughout Oregon.

Budget Environment and Performance Measures

Oregon agricultural producers currently sell 85% of their products outside of the state. Assistance for farmers, ranchers, and specialty food producers in finding new domestic and global markets for their products is a priority for the Department. 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 agricultural products through inspection services and communications with producers, wholesalers, and retailers.

Performance measures include tracking the number of activities (seminars, direct marketing, trade missions, etc.) conducted for smaller Oregon companies. In 1999-2000, 80% of marketing assistance was directed to smaller-scaled activities aiding new-to-market and start-up Oregon companies. The percentage of activities and benefit by rural verses urban areas is also measured. In 1999-2000, 73% of activities were devoted to enhancing rural Oregon. The percentage of economic benefit by domestic and export market regions is also tracked. For 1999-2000, the regions with the highest percent of targeted activities were Japan (30%), USA (18%), Oregon (14%), Korea (7%), and Western Europe (6%).

Governor's Budget

The Governor's recommended budget is 9.4% above 2001-03 current service levels. An additional $1,370,000 General Fund is included for the Cooperative Agriculture Tourism Promotion program. This program is a joint effort with the Tourism Commission to increase sales of value added agricultural products through a unified "Brand Oregon" marketing initiative. The package adds a Merchandising Marketing Manager full time position to work with producers and shippers, assist new-to-market Oregon companies in gaining access to domestic retail and restaurant markets, and coordinate promotional materials with the Oregon Tourism Commission. The package also funds a Japan Marketing Contractor for enhancing the image of Oregon in Japan. The package establishes a Coalition Assistance Program Fund and a Special Marketing Assistance Program Fund. These Funds will provide financial support to Oregon organizations using promotional materials that support the "Brand Oregon" marketing effort. Financial assistance includes partial rebates for trade show participation, per diem reimbursement, and free promotional materials.

The recommended budget also includes the reduction of a secretary position saving $83,510 General Fund. In addition, services and supplies (travel) for marketing projects is being reduced by $98,103 General Fund.

ODA – Special Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,253,165	3,276,507	3,328,138	230,284
Other Funds	715,993	329,851	492,822	576,014
Total	**3,969,158**	**3,606,358**	**3,820,960**	**806,298**
Positions (FTE)	2.00	2.42	2.42	3.42

Program Description

The Special Programs Policy Area consists of various administrative and policy functions not included in other departmental program areas:

- The ***Wine Advisory Board*** administers industry funds for research, development, and market promotion projects with three staff positions.
- The ***Pesticide Analytical Response Center (PARC)*** operates an interagency evaluation of pesticide exposure incidents.
- The ***Farm Mediation*** program is designed to reduce the cost of resolving loan problems by providing a neutral mediator to assist farmers/ranchers address nuisance complaints, contract disputes, labor problems, and other concerns.
- ***County Fairs*** are provided General Fund as a pass-through by the Department for financial assistance related to county fair activities.

Revenue Sources and Relationships

The primary funding source for the Special Programs Policy Area had been Lottery Funds until the 1997 Legislature shifted funding support to the General Fund. For the 1997-99 and 1999-01 biennia, the Legislature provided $3 million General Fund for support of county fairs. The remaining General Fund is used in the PARC program for enforcement activities. Other Funds revenue is collected from the Wine Advisory Board for reimbursement of staff expenses and state government service charges.

Budget Environment and Performance Measures

The 1997 Legislature eliminated state support for the Center for Applied Agricultural Research (CAAR). CAAR had awarded competitive grants to industry toward finding solutions to problems in agricultural activities. All grants provided by CAAR required a 100% match by the recipient.

While the wine industry has grown an estimated 18% nationwide in the last biennium, Oregon producers face increased competition from wine imports which have reached record levels. The Wine Advisory Board seeking to expand international trade, and is working in cooperative regional partnerships to expand the marketing potential of Oregon wine sales.

No performance measures were submitted for this area of the Department.

Governor's Budget

The Governor's recommended budget is $3,014,662 General Fund below the 2001-03 current service level. The budget includes an additional $83,192 Other Funds and increases staffing by 1 FTE for an office specialist to support the Wine Advisory Board. Pass through funds to the County Fairs are eliminated, saving $3,097,854 General Fund. This would reduce funding for each fair by $86,015 General Fund.

ODA – Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	235,404	279,713	168,795	168,795
Other Funds	98,028	54,230	0	0
Total	**333,432**	**333,943**	**168,795**	**168,795**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Debt service represents repayment of certificates of participation (COPs) issued in 1995-97 and used to buy equipment for the new food innovation center in Portland. Debt service costs were incorporated in the Food Safety Policy Area budget until a subsection was included in the agency's 1997-99 appropriation bill to separately identify debt service payments.

Revenue Sources and Relationships

Debt service is calculated on a pro-rata basis of General Fund and Other Funds.

Governor's Budget

The Governor's recommended budget funds debt service at the current service level using $168,795 General Fund. The recommended budget represents a 40% decline in General Fund debt service from the amount required in the 1999-01 budget. The debt service for 2001-03 includes no Other Funds contribution.

Columbia River Gorge Commission (CRGC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	441,493	662,404	727,364	780,734
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Columbia River Gorge Commission 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 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.

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. The Columbia River Gorge encompasses 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 functions with a staff that are employees of the State of Washington.

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 and natural resource elements of the Scenic Area. Five of the 6 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.

Interest has developed for the provision of funding directly to counties for work in implementing the land use ordinances required under the management plan. Oregon has provided planning grants directly to the Gorge counties through the Department of Land Conservation and Development (DLCD) since the 1989-91 biennium. These grants typically averaged $20,000 per county per biennium. In the 1997-99 biennium, each of the three Oregon counties within the National Scenic Area received a total of $53,333, with the increase coming directly out of the Gorge Commission's operating budget. For the 1999-01 biennium, the Oregon Legislature directed DLCD to provide the three counties a total of $240,000 with the entire amount funded through the agency's local grant program. DLCD was directed to provide $90,000 to Wasco County, $80,000 to Hood River County, and $70,000 to Multnomah County in two annual installments. Amounts provided for county functions under the Scenic Act do not have to match between the states. There is no mention of providing funds to counties and no requirement of matching funding for counties between the two states in the interstate compact, the Scenic Act itself, or in any other legislation.

Revenue Sources and Relationships

The Columbia River Interstate Compact requires each state to pay its Commission members' expenses and to contribute equally to operating costs. Because of this requirement, the budget is, in effect, set by the state appropriating the lesser amount for operational expenses. The Commission has also received grant funding 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 and Performance Measures

The Gorge Commission initiated a monitoring program in 1997 designed to track various components of the National Scenic Area. One of the products of the monitoring program, the "Growth Report," was released in April 1998, detailing development patterns and trends of the past ten years with special focus on new houses and land divisions within the Scenic Area. The Commission also described economic development activities with an "Economic Monitoring Report," released in January 1998. The report focuses on economic trends in the Gorge and provides details on economic development activities, including the investment of funding from the Scenic Area Act towards construction of the Skamania Lodge and the Gorge Discovery Center.

Management Plan review must be completed by 2001 to meet the ten year timeline included in the Scenic Area Act. The Commission expects to complete the Plan review and any necessary Plan updates by fiscal year 2002. The review will be a public process framed by comment on a set of six monitoring reports developed by commission staff in conjunction with Scenic Area partners. The draft reports on scenic resources and on agricultural and forest lands were released for public comment in July 2000 and are to be followed by reports on natural, cultural, and recreational resources and on economic development grant and loans in the Scenic Area.

The Commission sees continued rapid growth in the Portland / Vancouver metropolitan area as its major concern for the next 20 years. Population projections for the Portland Metro area predict an increase of approximately 700,000 individuals over the next 20 years, to a total of more than 2.2 million residents. The proximity of the entire Gorge area to this population base affects planning efforts by pressures for new development, changing composition of urban areas, availability of affordable housing, uses of resource lands, and increased visitation to tourism and recreations 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 Commission identified various key strategies and objectives for fulfilling its goals in the 2001-03 biennium, including: 1) continuing increased outreach and education on the Scenic Area, the Commission's and agency's roles, and Management Plan results; 2) conducting a deliberate and meaningful review and update of the Scenic Area Management Plan; 3) increasing efforts to ensure consistency with the Scenic Area Act, Management Plan, and local ordinances; 4) maintaining systems and databases to provide regular information on how effectively the Management Plan is achieving the purposes of the Act; 5) increasing efforts to advance recreation and economic development enhancements; and 6) meeting all other commitments and statutory obligations.

The Commission measures performance in attaining three goals: conducting a deliberate, meaningful review and update of the Scenic Area Management Plan; continuing increased outreach and education on the Scenic Area, plan results, and Commission's role; and increasing efforts to ensure consistency with the Act, Management Plan, and county ordinances. Performance measures are also required to be included in the agency's budget request for the State of Washington. The Commission is continuing to refine its performance measures, which currently tend to focus on output measures. Due to the recent development of the performance measures, little historical data exists. The measures currently being tracked include:

- The number of plan components addressed through draft monitoring reports; by fiscal year 1999-01, a total of 5 components had been addressed.
- The number of parcel databases developed for counties; in fiscal year 1999-01, a total of 2 parcel databases were developed.
- The number of contacts with community groups, area residents, county commissioners, and other stakeholders through meetings, workshops, and presentations; in fiscal year 1999-01, the Commission attained its goal of 25 contacts.
- The percentage of individuals contacted who report an improved understanding of the Act, the Management Plan, and the Commission's role; in fiscal year 1999-01, 60% of those contacted reported an increased level of understanding.
- The number of training sessions, planner meetings, and consultations by Commission staff with county planners; in fiscal year 1999-01, the Commission conducted 12 training sessions.
- The percentage of development reviews approved by county planning departments and the Commission consistent with the Management Plan; in fiscal year 1999-01, 90% of the development reviews approved by counties were consistent with the Management Plan.

CRGC – Joint Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	416,061	629,962	695,630	749,000
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Commission's joint 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 joint program services are provided by 8.25 FTE, all of which are considered to be employees of the State of Washington. The staff positions include an Executive Director, three planners, an outreach coordinator, two administrative support positions, legal counsel (0.75 FTE), and a GIS coordinator (0.50 FTE). The provision of support to counties within the National Scenic Area for activities related to the Act's implementation are not included in the joint program budget.

Governor's Budget

The Governor's recommended budget for the Commission's joint program activities of $749,000 represents an increase of 19% over the 1999-01 budget. Although the Governor's recommended budget includes no program option packages to enhance current programs, the budget includes a $119,000 General Fund increase for inflation and price list adjustments as part of the current service level calculation. This adjustment represents an increase of $53,370 from earlier estimates of the amount needed to address certain salary adjustments and state government service charge increases.

During budget development, the Commission was granted an increase of $65,668, which exceeded the amount allowed in the state's budget instructions, partly to accommodate an Emergency Board action. In September 2000, the Emergency Board approved an allocation of $26,233 to the Commission to pay for Oregon's share of salary cost-of-living adjustments (COLAs) and health insurance increases awarded to Washington State employees by the Washington Legislature for the 1999-01 biennium. Since the Commission employees are not considered State of Oregon employees, budget adjustments to accommodate COLAs in Oregon are not automatically passed on to the Commission staff. When COLAs are provided to State of Washington employees, the Commission staff only receives such additional benefits if Oregon shares in the cost. The Emergency Board action addressed this issue for the 1999-01 biennium, but was not completed in sufficient time for automatic inclusion in the Commission's 2001-03 base budget.

Subsequent to the agreement to include an inflationary and price list adjustment of $65,668 in the development of the Commission's current service level budget, the Governor's recommended budget increased the amount by an additional $53,370. Until additional information regarding the nature of this increase is determined, the amount has not been included in the agency's current service level budget and will be considered as an enhancement package.

CRGC – Oregon Commissioner Expenses

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	25,432	32,442	31,734	31,734
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Under the Compact, each state is required to pay for its own appointed commissioner expenses. The commissioner expense budgets of Oregon and Washington are not required to match due to differences in compensation practices between the states. The commissioner expense budget includes expenditures for personal services, per diem, and travel expenses related to attendance at meetings of the Columbia River Gorge Commission. The agency was directed to establish the Oregon Commissioner Expenses program unit for the 2001-03 biennial budget to avoid confusion with the Joint Program expenses that require an equal match with the funding level decided by the State of Washington.

Governor's Budget

The Governor's recommended budget funds commissioner expenses at the current service level. The slight decline from the 1999-01 budget results from an adjustment in the base budget to eliminate a professional services category from the program unit.

Office of Energy (OOE) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,699,859	1,425,000	0	1,400,000
Other Funds	10,323,052	14,066,403	14,703,680	14,862,586
Federal Funds	4,785,130	6,848,531	7,047,612	7,047,612
Nonlimited	75,416,650	151,305,994	142,638,525	142,638,525
Total	**92,224,691**	**173,645,928**	**164,389,817**	**165,948,723**
FTE	74.20	77.94	76.94	77.94

In 1995, the Department of Energy was transferred to the Department of Consumer and Business Services (DCBS) where it was created as a division and renamed the Office of Energy (OOE). The 1999 Legislative Assembly removed the Office of Energy from the DCBS and re-established it as a separate agency.

The mission of the Office is to protect Oregon's environment by saving energy, developing clean energy sources, and cleaning up nuclear waste. The Office also staffs two policy and regulatory boards:

- the Energy Facility Siting Council, a seven-member citizen board appointed by the Governor that decides whether large energy facilities may be built in Oregon; regulates the construction, operation, and decommissioning of energy facilities; and oversees the disposal of low-level radioactive wastes; and
- the Hanford Waste Board, a 20-member board that 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.

OOE – Operations

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,699,859	1,425,000	0	1,400,000
Other Funds	10,323,052	14,066,403	14,703,680	14,862,586
Federal Funds	4,785,130	6,848,531	7,047,612	7,047,612
Total	**16,808,041**	**22,339,934**	**21,751,292**	**23,310,198**
FTE	74.20	77.94	76.94	77.94

* *Adjusted for post-April 2000 Emergency Board action*

Program Description

This program has the following primary activities:

- Promoting conservation and renewable resources through programs such as the Business Energy Tax Credit, the Residential Energy Tax Credit (ending December 31, 2001), State Home Oil Weatherization (SHOW) audits and loans, Northwest Energy Efficient Manufactured Housing certification, telecommuting, energy efficiency projects in new state buildings, and alternative fuels use;
- Siting new energy facilities that are safe and environmentally acceptable;
- Providing information to individuals, businesses, and other energy users on the development of new, cost-effective and environmentally sound energy resources and technologies; and
- Overseeing cleanup and transportation of radioactive wastes as well as ensuring emergency preparedness in the event of an accident involving radioactive materials.

Activities also include energy research and analysis. In addition, this program contains salaries and other personnel expenses for the two Oregon members of the Pacific Northwest Electric Power and Conservation Planning Council. The Council was authorized by Congress in 1990 and operates under an interstate compact signed by Washington, Oregon, Idaho, and Montana. It is responsible for long-range power planning and for developing programs to preserve and restore fish and wildlife species affected by Columbia River Basin hydroelectric facilities.

Revenue Sources and Relationships

The OOE has numerous sources of Other Funds revenues. The main sources include energy supplier assessments (22%) and Northwest Energy Efficiency Alliance funds for energy efficiency programs (23%). Other sources include fees to cover costs of services for the Small-Scale Energy Loan Program (14%), facility siting and review (10%), the manufactured home certification program (7%) and the Business Energy Tax Credit (5%); petroleum distillate fuel supplier assessments for the SHOW program (6%); radioactive waste transport and emergency preparedness fees (3%); and numerous miscellaneous programs (10%).

Federal resources include funds from the U.S. Department of Energy ($6.4 million), the Federal Highway Administration ($400,000), and the Bonneville Power Administration ($300,000). For the 2001-03 biennium, the agency anticipates about $3.2 million of the total to be received from the U.S. Department of Energy will be for hazardous waste projects, including oversight of the cleanup of the Hanford nuclear site.

Budget Environment and Performance Measures

Oregon's continued population growth directly impacts energy use through greater demand for energy sources. It is expected that this demand will require the construction of more power plants and other energy facilities. For the remainder of the 1999-01 biennium and during 2001-03, the OOE expects four energy facility applications – one for a 60-mile natural gas pipeline from Columbia County to Molalla, a second for expansion of an existing wind power plant in Umatilla County, and two for new natural gas-fired power plants.

Senate Bill 1149, Oregon's electricity industry restructuring legislation (1999), provides that a public purpose charge be collected beginning in October 2001 from certain retail electricity customers for, in part, support of cost-effective conservation activities and new renewable energy resources. The OOE anticipates increased workload as a result of the legislation and has already started working with education service districts to establish rules for the use of funds earmarked for energy conservation investments in schools. However, the full impact of the legislation is unknown, in part because the recent increases in energy costs reportedly have prompted Oregon businesses to seek delay of the implementation of deregulation. The rising costs for natural gas, electricity and oil also may affect the agency's workload as more individuals and businesses seek out ways to control their energy costs.

The agency's key performance measures include the following:

- Reduction in carbon dioxide emissions from burning fossil fuels – The agency uses this measure as an indicator of overall environmental health, which is affected by Oregon's production and use of energy. It has established a goal of a 1% annual decline in the level of per capita carbon dioxide emissions. The measurement's base year is 1990, which had a level of 19.7 tons per capita. The most recent data, for 1997, had a level of 19.9 tons per capita. This is an overall increase of one percent. However, this is a high-level measure and is influenced by many factors outside of the agency's control.
- Nuclear emergency preparedness – To measure its success in helping ensure emergency preparedness, the agency has established a performance measure for the State's nuclear emergency preparedness. The OOE uses the number of areas requiring corrective action as determined by the Federal Emergency Management Agency and the OOE. The base year of 1994 had 14 areas where corrective action was needed. The target is zero. In 1998, 1999, and 2000, this target was reached.
- Satisfaction survey – The OOE uses surveys to measure customer satisfaction for two major conservation programs: the Business Energy Tax Credit and the State Home Oil Weatherization program. It has established a 5-point scale, with "5" representing a superior rating. Since the first quarter of 1997, the combined rating for the two programs has been no less than 4.39. More recently, for the second quarter of 2000, the rating was 4.49.

Although not specifically identified by the agency as performance measures, the OOE also measures the success of its conservation programs in terms of energy savings. It estimates its programs have reduced enough demand for electricity to eliminate the need to build two additional power plants. Cumulative savings from current and past programs include 3.9 billion kilowatt-hours of electricity, 126 million therms of natural gas, 11 million gallons of oil and gasoline, and 1 trillion Btu for wood and other fuels. Additionally, it estimates that Oregonians who have invested in the conservation programs are saving an estimated $250 million on their annual energy bills. The agency measures the success of its telecommuting program by the number of telecommuters in Oregon, now estimated to be 100,000. This program is a small piece of easing congestion and reducing gasoline use. Other data suggest that traffic congestion in Oregon's metropolitan areas has significantly worsened throughout the 1990s.

Governor's Budget

The Governor's budget is a 4.3% increase over 1999-01 estimated expenditures and a 7.2% increase over the current service level. The budget adds $158,906 Other Funds expenditure limitation and 1 FTE to address the energy conservation provisions in Senate Bill 1149. Funding for this policy package will come from the public purpose charge created by the legislation.

The budget also continues funding to cover loan payments due to the Office of Energy from the Oregon Museum of Science and Industry (OMSI) for a $15.5 million loan made to OMSI in 1992 for construction of an energy-efficient building. Because of OMSI's financial difficulties in meeting the debt payments, the 1997 and 1999 Legislatures provided $1.5 million and $1.425 million, respectively, to cover loan payments owed by OMSI to the OOE. The Governor's recommended budget continues this financial assistance with $1.4 million General Fund.

OOE – Loan Programs (Nonlimited)

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	75,416,650	151,305,994	142,638,525	142,638,525
FTE	0.00	0.00	0.00	0.00

Program Description

The OOE offers low-interest, long-term loans to individuals, businesses, non-profit organizations, tribes, schools, and state and local governments for conservation and renewable resource projects through its Small-Scale Energy Loan Program (SELP). This program was established by a statewide vote in 1980. It funds projects such as energy-efficient heating and lighting systems, weatherization measures, and energy-efficient improvements in manufacturing processes. The program also encourages innovative projects that are energy efficient and environmentally sound. Sales of State general obligation bonds fund the loans. SELP only makes loans that are fully secured.

Revenue Sources and Relationships

Revenue sources include bond proceeds, loan repayments, and interest income.

Budget Environment and Performance Measures

SELP is self-supporting. Borrowers pay back the loans, including program costs. Loan payments for most borrowers are covered by energy savings generated by their conservation and renewable-resource investments. As of year-end 1999, SELP has made 504 energy loans for projects that, according to the OOE, save (through conservation loans) or produce (through renewable resource loans) enough energy to heat more than 110,000 homes per year. The agency's performance measure for carbon dioxide emissions would apply to this program, since the projects funded by the loans can impact Oregon's production and / or use of energy.

Governor's Budget

The Governor's budget provides for a slightly lower level of expenditures compared to 1999-01, based on projected levels of program activity.

Department of Environmental Quality (DEQ) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	29,516,323	38,711,012	40,818,441	43,070,234
Lottery Funds	6,646,124	442,370	401,906	497,510
Other Funds	81,939,334	105,378,727	99,783,299	117,516,688
Federal Funds	26,139,833	29,055,089	30,712,532	34,693,228
Nonlimited	106,441,795	129,258,220	67,925,277	116,452,178
Total	**250,683,409**	**302,845,418**	**239,641,455**	**312,229,838**
Positions (FTE)	741.11	787.66	723.70	891.99

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 agency's mission is "to be an active leader in restoring, maintaining, and enhancing the quality of Oregon's air, water, and land." The Department establishes the standards for clean air, water, and land; determines whether or not these standards are being met; and then takes action to ensure that the standards are met. The agency is attempting 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 agency is comprised of four major program units: Air Quality, Water Quality, Waste Management and Cleanup, and Management Services. DEQ headquarters are in Portland with regional administrative offices in Bend, Eugene, and Portland. The agency also maintains field offices in Baker City, Coos Bay, Grants Pass, Hermiston, Klamath Falls, Medford, Pendleton, Roseburg, Salem, The Dalles, and North Coast. The Department manages a pollution control laboratory on the Portland State University campus.

Governor's Budget

The Governor's recommended budget of $312.2 million represents a 3% increase from the 1999-01 estimated expenditures of the Department. The operating portion of the budget includes $43.1 million General Fund, $0.5 million Lottery Funds, $117.5 million Other Funds, and $34.7 million Federal Funds. The operating budget total of $195.8 million represents a 14% increase from the 1999-01 estimated expenditures and a 13% increase from the current service level. The operating budget total does not include $116.5 million in Nonlimited Other Funds expenditures related to bond proceeds used in various environmental cleanup programs, the state's revolving loan fund for wastewater facility development, and loans to local governments. The recommended budget adds a total of 104.33 FTE to the 1999-01 estimates, but 77 of those FTE are accounted for in the Vehicle Inspection Program's proposed budget within the Air Quality Division. Due to the limitations on available General Fund, the recommended budget includes several fee increases, the most significant of which occur in the wastewater permitting and air quality permitting programs.

DEQ – Air Quality Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,065,992	5,962,650	5,137,095	5,055,614
Other Funds	24,380,027	28,954,208	30,291,340	32,821,310
Federal Funds	5,451,072	5,720,495	4,231,433	6,600,189
Total	**33,897,091**	**40,637,353**	**39,659,868**	**44,477,113**
Positions (FTE)	210.51	216.67	197.18	296.33

Program Description

The Air Quality program is responsible for compliance with federal and state air quality standards. The program monitors air quality to protect the public health through the development and implementation of pollution reduction strategies. Federal ambient air quality standards for six criteria pollutants must be maintained (sulfur dioxide, lead, nitrogen dioxide, ozone, carbon monoxide, and respirable particulate matter). The primary sources of air pollution in Oregon are motor vehicles, forest slash burning, woodstoves, industrial facilities, field burning, and area sources. Program clients include the regulated community (primarily industries, businesses and local governments) and the general public that benefits from clean air. 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 Air Contaminant Discharge Permit program (ACDP) issues permits for approximately 1,100 minor industrial emission sources. The Title V Operating Permit program issues permits for about 130 major industrial emission sources.

The Air Quality Program includes headquarters, laboratory functions, regional operations, and a local air pollution control agency. Headquarters is responsible for program planning and development, rules and guidance development, data analysis and reporting, technical services, and the vehicle inspection program. The vehicle inspection program requires tests of vehicles operating in the Portland and Medford areas every two years as part of the vehicle license renewal process. The laboratory provides air quality sampling, monitoring, and analytical support services. Air Quality staff in regional offices are responsible for ensuring that industrial sources of air pollution are operating in compliance with rules and permit conditions. Regional staff are also responsible for certification of asbestos removal, regulating open burning, monitoring field burning, and responding to public complaints. The Lane Regional Air Pollution Authority operates the air pollution control program in Lane County and receives a share of state funding. Of the Division's 217 FTE in the 1999-01 biennium, 39 were located in headquarters, 60 in regions, 32 in the laboratory, and 86 in the vehicle inspection program.

Revenue Sources and Relationships

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 full cost of the permit program for major industrial sources be fully paid from emission fees (Title V Permit Fee). The Title V Permit Fee generates about $7 million per biennium. Other non-General Fund sources include fees for asbestos certification and inspection, field burning permits, vehicle inspection, and fuels management which combines stage II vapor recovery and oxygenated fuels. The Vehicle Inspection Program is entirely supported by fees for certificates of compliance, currently set at $21 every two years as part of the vehicle licensing process. Federal maintenance of effort requirements apply to all air quality programs that contribute to maintenance of air quality standards. Federal Clean Air Act program grants under Section 105 for air pollution planning and control require a state match each year that exceeds the previous year's expenditures.

The program began a permit streamlining process during the 1999-01 biennium and plans on restructuring the fee table to simplify permit categories and provide greater opportunities for permitting approaches such as general permits.

Budget Environment and Performance Measures

The Clean Air Act requires compliance with federal air quality standards and prevention of air quality deterioration in areas that exceed federal standards. Eight areas in Oregon have exceeded air quality standards in the past and have officially been declared nonattainment areas by the U. S. Environmental Protection Agency (Salem, Eugene-Springfield Air Quality Maintenance Area, Klamath Falls, Medford, Grants Pass, LaGrande, Oakridge, and Lakeview). Each of these has failed to meet one or more of three criteria pollutants -- ozone, carbon monoxide, and particulate matter. The Portland Air Quality Maintenance Area was redesignated by EPA as being in attainment with standards after previously being considered a nonattainment area. 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. Under the federal Clean Air Act, EPA reviewed the standards for respirable particulate and ground level ozone in 1997. The Department anticipates several areas of the state will experience difficulty in meeting the new standards developed by EPA from the review of fine particulate.

Most of the air quality gains in the future are anticipated to come from non-point sources, such as vehicle, household, and small business emissions, and from area sources. The agency expects additional work due to activities related to the new air standards for PM2.5 (particulate matter) and ozone, and will continue efforts toward streamlining the industrial permitting program.

The Air Quality Division has developed 3 performance measures to track program effectiveness. To monitor timeliness of permit issuance, the program tracks the percentage of air quality permits that are issued within the target time period; in 1999, 61% of permits were timely, an increase from 58% in 1998 and 50% in 1997. Measurement of air conditions is used as an indicator of program success in maintaining healthy breathing conditions for Oregonians; in 1997, healthy air, meaning zero instances of exceeding National Ambient Air Quality Standards, was achieved 100% of the time. The Division has also developed a performance measure to monitor trends in emissions of toxic air pollutants, but only has enough data to establish a baseline. Emissions levels for 33 of the EPA defined Hazardous Air Pollutants for 1999 is not yet available.

Governor's Budget

The Air Quality Division's recommended budget of $44.5 million is a 9% increase over the 1999-01 estimated expenditures and a 12% increase over the current service level. The recommended budget includes a decrease of approximately $0.9 million General Fund from the 1999-01 appropriation. The decrease is largely due to the Legislature's provision of a one-time infusion of $1.1 million General Fund for the 1999-01 biennium to restore positions unable to be continued without a fee increase. The proposed budget restores positions in the ACDP program with a fee increase of approximately 28 percent. With approval of the fee increase, the ACDP program would be 85% funded with permit fees. Due to the additional revenue from the proposed fee increase, the recommended budget's Other Funds limitation is increased to $32.8 million, a gain of 13% from 1999-01 estimated expenditures. The recommended budget also includes an increase of $0.9 million in Federal Funds related to air toxics and continuation of the PM 2.5 monitoring network.

The Governor's recommendation for the Air Quality Division's budget includes the following changes:

- $1,558,420 Other Funds to maintain the current service level in the ACDP program. The additional funding from the proposed fee increase is used to continue 7.5 FTE funded in 1999-01 by the one-time General Fund and to restore 2.65 FTE eliminated from the base budget due to fee revenue shortfalls. The positions include Environmental Engineers, Natural Resource Specialists, and an Office Specialist. Restoration of the positions would ensure an effective industrial permitting program, maintain compliance and enforcement efforts, and avoid federal sanctions.
- $1,928,947 Federal Funds to continue field and laboratory operation and maintenance of the EPA required monitoring network for fine particulate matter (PM 2.5). Eight limited duration positions were approved with federal funding in the 1999-01 biennium. These positions are continued with 4 being made permanent, including a Natural Resource Specialist 3, two Chemists, and an Information Systems Specialist. The 4 other positions are continued as limited duration. The positions would ensure that Oregon would continue to meet federal requirements on the collection and reporting of fine particulate matter.
- $222,033 Other Funds and $439,809 Federal Funds to establish an Oregon Air Toxics program needed to address health risks from toxic air pollution currently not subject to federal air toxic regulations. Four limited duration positions (3 FTE) are added, including 2 Natural Resource Specialists and 2 Chemists, to conduct emission inventories and air monitoring. The positions would be funded by a combination of federal and other grant revenues.
- $613,484 Other Funds in the Vehicle Inspection Program to convert contracted inspector positions to state employee status. The addition of 77 limited duration positions (77 FTE), including 75 Vehicle Emissions Technicians, an Occupational Safety Specialist, and a Training Manager, are funded by existing Vehicle Inspection fees. The Other Funds increase represents the difference between the professional services contract and personal services costs for the inspector positions, plus the additional personal service costs and related services and supplies for the two new non-inspector positions.
- $136,033 Other Funds to establish a new position (1 FTE) in the Open Burning program. Open Burning is currently funded with a combination of General Fund and Federal Funds. A position in the Open Burning program, funded by General Fund, is shifted to the Air Toxics program in the recommended budget. To replace the effort no longer available to the Open Burning program by the fund shift, the recommended budget proposes the establishment of a new Open Burning fee to generate revenue to support the Natural Resource Specialist 4 position. The Environmental Quality Commission is authorized to establish such a fee. The proposed fee would range from approximately $100 for domestic burning to $1,000 for industrial burning.

The recommended budget also includes a program reduction of $81,481 General Fund eliminated from the base budget for miscellaneous services and supplies. The reduction is made as part of the overall effort to fund the Governor's priorities in the recommended budget.

DEQ – Water Quality Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	13,674,857	17,695,190	17,694,231	20,392,834
Lottery Funds	0	344,191	401,906	192,000
Other Funds	10,463,897	13,251,942	13,219,932	17,302,105
Federal Funds	6,808,065	12,002,834	10,884,536	12,496,476
Total	**30,946,819**	**43,294,157**	**42,200,605**	**50,383,415**
Positions (FTE)	211.23	230.29	200.57	252.91

Program Description

The Water Quality program goal is for the state's water bodies to meet water quality standards and support beneficial uses of water such as fishing, swimming, irrigating, and drinking and to sustain healthy communities of fish, plants, and other aquatic life. To attain this goal, the Water Quality program has set measurable objectives to characterize water quality trends in groundwater and surface water, to initiate protective actions in known, clean water bodies, and to reduce pollutant levels in water quality limited water bodies. The primary measurement tool is the Oregon Water Quality Index, a single number expressing water quality by integrating measurements of eight water quality parameters, including temperature, dissolved oxygen, biochemical oxygen demand, pH, ammonia plus nitrate nitrogen, total phosphates, total solids, and fecal coliform.

The Water Quality program's primary functions are implementation of the Oregon Plan for the restoration of salmon populations and watersheds, setting and monitoring water quality standards and assessments, controlling wastewater through permits and certifications, providing financial and technical assistance, 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. Approximately 2,600 water quality permits are enforced in Oregon under the NPDES program with an additional 700 WPCF permits and 700 Confined Animal Feeding Operation permits subject to agency review and enforcement. In addition, the Water Quality program operates the on-site sewage permit program in counties that opt not to conduct the program.

Other Water Quality program initiatives include the Lower Columbia River Estuary Program, the Environmental Partnership for Oregon Communities (EPOC), Groundwater Management Areas, and the Use Attainability Analysis project. The Water Quality program also operates the nonpoint source pollution program in Oregon. Section 319 of the Clean Water Act requires states to have nonpoint source management programs to address the protection and restoration of surface water and groundwater. The Water Quality program also manages a wastewater financial assistance program for municipalities and conducts Section 401 certifications of dredge and fill work and hydroelectric projects.

In order to maintain these programs, the Division's positions are distributed between headquarters, the regions, and the laboratory. In the 1999-01 biennium, 71 of the Division's 231 FTE were located in headquarters, 121 FTE were in regional offices, and 39 FTE were assigned to the laboratory.

Revenue Sources and Relationships

The federally delegated and 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. Determining the amount of the program's costs that should be paid from fee sources has been an ongoing debate.

The Water Quality program has struggled over the past several biennia to achieve fee increases necessary to maintain these programs as General Fund support has diminished and Federal Funds have failed to keep pace with inflationary increases in program costs. The Water Quality program received an increase of $4 million General Fund in the 1997-99 biennium due primarily to appropriations for the Oregon Plan of $2.5 million and authorization of 19 new positions and for an offset of requested fee increases in the Industrial Permitting program. The 1997 Legislature decided to reduce the amount of the fee increase to approximately 20%, a level sufficient to support the restoration of three positions, and provided additional General Fund of $666,000 to support five other water quality permitting positions. The 1999 Legislature provided $0.9 million General Fund as a one-time infusion to maintain services in the permitting program without a fee increase. An additional $0.8 million General Fund was provided for the first phase of the expedited development of Total Maximum Daily

Loads (TMDLs) in the Willamette Basin. The TMDLs in the basin are scheduled for completion by the end of 2003.

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.

Budget Environment and Performance Measures

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. The Department of Environmental Quality must operate programs to carry out the mandatory requirements of the Clean Water Act that are acceptable to the U. S. Environmental Protection Agency (EPA) in order to retain program delegation. The alternative would be EPA program assumption. Were EPA to operate the program, funding would possibly be limited to the amount EPA now allocates to the state and might only be sufficient to finance enforcement activities. In addition to the EPA required level of program activity, the Legislature has also required additional water quality programs to be maintained by the Department.

During the 1995-97 biennium, the Department identified 870 streams as not meeting water quality standards. The list of streams, referred to as the "303(d) list" because of the requirements of section 303(d) of the federal Clean Water Act, must be submitted to EPA by April 1st of each even-numbered year. In the fall of 1998, EPA approved the Department's latest draft 303(d) list that included over 1,000 rivers, streams, lakes, and estuaries covering more than 13,000 miles. The list is not scheduled for update until April 2002 (states were excused by EPA from submitting new drafts in April 2000). The most controversial aspect of the list is the number of water bodies included due only to violation of temperature standards. Once a water body is included on the 303(d) list, the Clean Water Act requires that the state develop a plan to meet water quality standards. The plan is referred to as a Total Maximum Daily Load (TMDL) and is used to describe the maximum amount of pollutants from point sources and surface runoffs, which can enter the water body without violating water quality standards. Much of the recent workload of the Water Quality program has been directed toward the development of TMDL's for Oregon's watersheds. A TMDL is implemented through a combination of changes to industrial and municipal discharge permits and the development of water quality management plans. On agricultural lands, the Department of Agriculture using the SB 1010 process is responsible for the plan development. On forestlands, the Department of Forestry is responsible for the development of the water quality management plan.

The Water Quality Division is in the process of refining performance measurements to track program effectiveness. The program currently tracks the percentage of wastewater discharge permits issued within the target time period, but the measure does not fully reflect all permitting issues such as environmental protection. In 1999, 25% of permits were issued within the timeframes, up from 16% in 1998, but still well below optimal levels. The program also intends to track the number of TMDLs submitted to EPA according to the Oregon Plan schedule. The schedule, however, was approved early in 2000 and the first data will not be available until 2001. Through the first nine months of 2000, 79 TMDLs had been submitted to EPA. The program also uses the Oregon Water Quality Index to monitor the percentage of stream sites with water quality in good to excellent condition and with significantly improving trends in water quality. In 1997, 37% of the monitored stream sites had good to excellent water quality, reflecting an upward trend since monitoring began in 1995. In 1998, 70% of the monitored stream sites had significantly improving water quality trends, an increase from 52% in 1997 and 32% in 1996.

Governor's Budget

The Governor's recommended budget for the Water Quality Division reflects an effort to maintain existing programs, restore positions reduced due to revenue shortfalls, and enhance activities associated with restoring the state's water quality. The recommended budget of $50.4 million is 16% above 1999-01 estimated expenditures and adds a total of 22.6 FTE. The budget proposal is 19% higher than the current service level. The Governor's proposed budget includes $20.4 million General Fund, an increase of 15% from both the 1999-01 estimated expenditures and the current service level. The recommended budget includes an increase of $4 million Other Funds, a 31% increase, primarily due to the inclusion of a proposed fee increase in the wastewater permitting program. The proposed fee increase of approximately 58% is used in the recommended budget to retain positions funded with General Fund on a one-time basis in 1999-01 and to add positions needed for the most efficient level of program operation.

The Governor's recommendation for the Water Quality Division budget includes the following changes:

- $2,577,058 Other Funds for the wastewater permit restoration and enhancement to restore 5 positions (5 FTE) eliminated in the current service level budget and to add 12 new positions (12 FTE) to reach effective program levels for permit writing. The positions are financed by a proposed fee increase of approximately 58% on wastewater permits and include Environmental Engineers, Natural Resource Specialists, and an Environmental Law Specialist. The wastewater permit program also receives internal General Fund shifts from other programs, including the Environmental Partnership for Oregon Communities, Wastewater System Operator Certification, and Underground Injection Control; these programs are proposed for restoration with other fee increases.
- $1,468,895 General Fund to continue 8 positions (8 FTE) approved in 1999-01 as part of a 4-year effort to expedite completion of TMDLs for 9 of 12 subbasins in the Willamette Watershed by 2003.
- $834,531 Federal Funds for the addition of 6 new positions (6 FTE) to assist with the development of TMDLs and the monitoring of basins where TMDLs are completed. Program enhancement would be coordinated with the Oregon Plan implementation schedule. Positions would be assigned to regions.
- $795,158 Other Funds continues implementation of the Drinking Water Protection / Source Water Assessment effort included in the 1996 Safe Drinking Water Act. Seven limited duration positions (7 FTE) are continued with Federal Funds from EPA through the Health Division.
- $777,409 Federal Funds to continue the La Pine National Decentralized Wastewater Treatment Project. The federal funding from EPA continues 6 limited duration positions (6 FTE) working on an onsite sewage disposal and treatment project with the Deschutes County Health Division, the U.S. Geological Survey, and other agencies.
- $485,598 General Fund and $84,657 Other Funds to initiate the NPDES Storm Water Phase 2 implementation. The Water Quality program receives a fund shift of General Fund from the Waste Management and Cleanup Division reducing the provision of technical assistance within the Hazardous Waste program. In addition to the General Fund shift, the Hazardous Waste program moves 2 positions (2.58 FTE) to the Water Quality Division. The Other Funds increase adds 3 new positions (0.63 FTE) to assist with the phased-in development of storm water requirements. The Other Funds revenue is from an increased volume of fees and an undetermined fee increase.
- $472,802 Other Funds to restore the Environmental Partnership for Oregon Communities (EPOC) program. As part of the internal Water Quality Division fund shift, the EPOC program shifted $380,915 General Fund to the wastewater permitting program to enhance program services. The recommended budget proposes to fund the 2 positions (2 FTE) eliminated as a result of the fund shift and 1 new position (1 FTE) with an undetermined surcharge on existing domestic wastewater permit fees.
- $380,915 General Fund for cleanup work associated with toxic chemicals in the Willamette River. The Water Quality program receives a fund shift of General Fund from the Waste Management and Cleanup Division reducing technical assistance provision by the Hazardous Waste program. The fund shift includes moving 2 positions (2 FTE) from Hazardous Waste to Water Quality.
- $192,000 Lottery Funds (Measure 66) for habitat and education projects in the Lower Columbia River Estuary Program.
- $152,498 Other Funds to restore the Wastewater System Operator Certification program. As part of the internal Water Quality Division fund shift, the certification program shifted $176,846 General Fund to the wastewater permitting program to enhance program services. The recommended budget proposes to restore 1 position (1 FTE) eliminated as a result of the fund shift with a fee increase on certifications.
- $458,673 General Fund and a reduction of $401,906 Lottery Funds to continue the Oregon Plan Steelhead Supplement staffing at the current service level. The difference between the two amounts is the result of a reduction of $56,767 Lottery Funds included in the current service level calculation due to a projected shortfall of lottery revenues. The recommended budget restores the amount of the shortfall and shifts the remaining expenditures to General Fund.

The recommended budget also includes a program reduction of $95,478 General Fund eliminated from the base budget for miscellaneous capital outlay. The reduction is made as part of the overall effort to fund the Governor's priorities in the recommended budget.

DEQ – Waste Management and Cleanup Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	5,032,189	3,509,683	3,257,127	2,105,437
Lottery Funds	772,205	98,179	0	0
Other Funds	36,403,176	45,174,866	39,347,456	48,868,982
Federal Funds	13,173,027	10,783,446	15,167,245	15,167,245
Total	**55,380,597**	**59,566,174**	**57,771,828**	**66,141,664**
Positions (FTE)	245.95	249.36	246.99	250.79

Program Description

The Waste Management and Cleanup program goal is to protect human health and the environment by preventing and reducing waste generation, assuring that waste generated is properly managed, reducing and preventing pollution, responding to emergency spills, and cleaning up sites contaminated with hazardous substances and uncontrolled releases of toxic chemicals. Activities are organized into the four main program areas of solid waste, hazardous waste, hazardous substance cleanup, and underground storage tanks. In each area, the Waste Management and Cleanup program focuses on the hierarchy of waste management, starting with prevention, reduction, reuse, recycling, recovery, and ending with proper disposal.

Waste Management and Cleanup operates the federally approved solid waste landfill compliance program and the federally delegated hazardous waste program. Other federal programs include underground storage tank cleanup and superfund site cleanups. In addition, the Waste Management and Cleanup operates various state programs, including waste reduction and recycling, hazardous waste generator reporting and technical assistance, oil spill response planning, hazardous materials spill response, voluntary cleanup, toxic materials cleanup, and policy and program development. Waste Management also manages underground storage tank and home heating oil tank programs.

The Waste Management and Cleanup programs are implemented by regional office staff. Regional staff conduct inspections, issue permits, provide cleanup oversight, and offer technical assistance. Headquarters staff in the Waste Management and Cleanup program provide centralized functions such as hazardous waste facility data collection, Underground Storage Tank (UST) facility registration, orphan site cleanup management, rule and policy development, billing and financial operations, and federal grant and contract administration. The agency's laboratory provides soil, air, and groundwater sampling analyses and monitoring activities at hazardous waste facilities, solid waste landfills, and contaminated sites involved in cleanups. In the 1999-01 biennium, 87 of the Division's 249 FTE were located in headquarters, 152 FTE were in regional offices, and approximately 11 FTE were in the laboratory.

Revenue Sources and Relationships

Most Waste Management and Cleanup programs are financed almost entirely from dedicated Other and Federal Funds. The exception is the Solid Waste Program, which receives General Fund support as well as revenue from solid waste permit and disposal fees. Although the program is federally approved, federal funding is not available for the program. Solid waste disposal fees, also known as "tipping" fees, are collected on waste disposed at municipal solid waste sites at a rate of 81 cents per ton. Tipping fees are expected to generate approximately $7 million in 2001-03. Facilities receiving solid waste for disposal must have a permit and are charged a fee for the permit. The amount of the permit fee varies by the type of facility and the volume of waste disposed. Solid waste disposal permit fees are projected to generate $3.1 million in 2001-03. The state also operates the federally delegated hazardous waste management program. A small amount of General Fund and permit fees provide the 25% match required for receipt of federal funds. Maintenance of an EPA approved program is a condition of program delegation. Programs financed exclusively from Other and Federal Funds include the state Orphan Site program which is financed from bond sale proceeds.

Hazardous waste disposal fees are deposited into the Hazardous Substance Remedial Action Fund which finances state hazardous waste cleanup programs, including start-up costs for voluntary cleanups which are then reimbursed by property owners. Fund balances have also provided supplemental funding for related programs including Orphan Site Bond debt service which is regarded as a loan to be repaid when a permanent debt service fund source is identified.

Budget Environment and Performance Measures

Federal law sets uniform standards for all landfills and relies on citizen lawsuits for enforcement. States have the option of obtaining federal "program approval" which allows the state to develop site specific requirements that are often less burdensome. The Resource Conservation and Recovery Act hazardous waste program is federally delegated. The consequences of returning the program to EPA are similar to those described for the Clean Water Act program.

Funding of the Orphan Site program continues to be unresolved. Orphan sites are contaminated sites where the owner is either unknown, unable, or unwilling to pay for cleanup costs. The 1989 Legislature authorized the sale of orphan site bonds to provide funding for state-sponsored cleanup of industrial hazardous orphan sites. Repayment of the bonds was to be financed through a petroleum load fee and revenue from the hazardous substance fee. General Fund and lottery funds were also used to partially support debt service requirements of the orphan site bonds. In 1993, the Attorney General advised that the petroleum load fee should not be used for orphan site debt service. In 1995, the Legislature limited collection of the hazardous substance fee to an amount necessary to service debt from previous bond sales only. Due to a lack of funding alternatives outside of additional General Fund commitments, the 1997 Legislature made no change to this funding arrangement. The 1999 Legislature shifted all Lottery funded debt service to the General Fund, but did not directly address the long-term funding strategy for industrial orphan site cleanup.

Major programs of the Waste Management and Cleanup Division have developed performance measures to track program effectiveness. Many of the measures are output measures. The agency is continuing efforts to define new performance measures and refine existing measures.

Environmental Cleanup:

- Percent of remedial action completed at high priority cleanup sites; in 1999, 17.3% of cleanup sites where contamination in known or suspected to be affecting human health had cleanups completed, an increase from 14.7% in 1998 and 12.9% in 1997.
- Number of sites identified with known or suspected hazardous substances; in 1999, 174 sites were identified, an increase from 142 in 1998 and 168 in 1997; on a cumulative basis, 2,262 sites have been identified between 1988 and 1999.
- Percent of known sites contaminated by hazardous substances that are cleaned up or being cleaned up; in 1999, 73% of sites were either cleaned up in or the process of being cleaned up; since 1994, the percentage has remained fairly constant within a range of 70% to 73 percent.
- Percent of identified orphan sites cleaned up; in 1999, 8.6% of identified orphan sites had been cleaned up, an increase from 3% in 1998 and 3.7% in 1997.
- The program also tracks the number of cleanup sites given "no further action" designation, the number of completed cleanups or "no further action" designations issued for vulnerable area sites, and the number of spills reported to DEQ requiring agency evaluation and action.

Underground Storage Tanks:

- Percent of known tank sites contaminated by hazardous substances that are cleaned up or being cleaned up; in 1999, 76% of known contaminated sites were cleaned up or in the process of being cleaned up, an increase from 68% in 1998 and 69% in 1997.
- The program also is beginning to track the percentages of regulated underground storage tanks in compliance with leak detection requirements, with cleanups completed relative to number of releases reported, in compliance with 1998 equipment standards, and with cleanups initiated compared to releases reported. None of these measures have historical data to report.

Solid Waste:

- Pounds of municipal solid waste landfilled or incinerated per capita; this measure of the effectiveness of efforts to promote waste prevention and recycling has shown a steady increase from 1,570 pounds in 1996 to 1,690 pounds in 1999.
- Percent of municipal solid waste recovered per capita; the Legislature set a goal of 50% recovery by 2000, in 1999 the rate was 36.8%, down slightly from 1998's 37.3 percent.
- Percent of wastesheds (roughly equivalent to counties) meeting recovery rate goals; in 1999, 97% wastesheds achieved recovery rate goals, up from 89% in both 1997 and 1998.

- The program is also developing data to track the percent of solid waste disposal facilities with known release of hazardous substances and the amount of hazardous waste collected during household hazardous waste collection events.

Governor's Budget

The Governor' Recommended Budget for the Waste Management and Cleanup Division is $66.1 million, an increase of 11% from the 1999-01 estimated expenditures and up 14% from the current service level. Due to a proposed shift of positions from the Division to the Water Quality Division, the recommended budget only increases FTE by 1.43 from the 1999-01 biennium. The recommended budget includes fee increases to support program activities in marine spills, underground storage tanks, and heating oil tanks. The recommended budget includes no Lottery Funds; the Lottery Fund expenditures in 1999-01 represent carry forward amounts from earlier allocations for the rural service station and marina / port underground storage tank financial assistance programs.

The proposed budget includes a shift of $756,000 Other Funds from the Cross Media program to Waste Management and Cleanup for work associated with the Portland Harbor cleanup. The shift also moves 5 FTE into the Waste Management and Cleanup Division. The Division is taking primary responsibility for work on sites in the Portland Harbor that are adjacent to, but not within, the river boundary. These sites are commonly referred to as the "upland" sites in Portland Harbor discussions. The recommended budget also includes the shifting of $866,509 General Fund from the Hazardous Waste program's base budget to the Water Quality Division. The fund shift also moves 4 positions (4.58 FTE) to Water Quality. The shift reduces the Hazardous Waste program's ability to provide technical assistance, inspections, compliance, and analysis. The Governor's budget also includes a program reduction of $285,181 General Fund and 0.50 FTE eliminated from the base budget for miscellaneous services and supplies. The reduction is made as part of the overall effort to fund the Governor's priorities in the recommended budget.

Several enhancement packages are included in the proposed 2001-03 budget for waste management and cleanup programs:

- $7,950,000 Other Funds to continue cleanup work on high priority industrial orphan sites. The limitation in the proposed budget represents bond sale proceeds. Since 1991, the agency has designated 44 cleanup sites as industrial orphans with most of the funding for cleanup work provided through bond proceeds. The 1999 Legislature, for example, authorized a bond sale of $8 million for 1999-01 orphan site cleanup activities with debt service to be paid with General Fund. Due to ongoing program needs, the agency requested inclusion of another $8 million bond sale for the 2001-03 biennium and requested $877,075 General Fund for the 2001-03 debt service on the new issuance. The Governor's recommendation is to delay the bond sale until June 2002 and to use balances from the Hazardous Substance Remedial Action Fund (HSRAF) to pay for the 2001-03 debt service on the new issuance. The long-term payment of debt service for these new Orphan Site bonds is not addressed in the Governor's budget.
- $753,720 Other Funds to restore the Underground Storage Tank leak prevention program. The recommended budget restores 2.34 FTE that are unable to be continued due to projected revenue shortfalls in the program, restores 0.30 FTE eliminated in 1997-99 due to revenue shortfalls, and adds 2 new positions (2 FTE). The positions are used for underground storage tank inspection activities and technical assistance. The restored and new positions are funded with a tank permit fee increase from $35 per year to $110 per year in the proposed budget. The 1999 Legislature approved a fee increase to $60 per tank; this fee increase will sunset at the end of 2001, reverting the fee to the $35 per year level.
- $244,049 Other Funds to continue implementation of the home heating oil tank program established in House Bill 3107 (1999). The program was designed to regulate the voluntary decommissioning of heating oil tanks and to provide oversight of release cleanup. The 1999 Legislature funded the program with a combination of General Fund, a license fee on heating oil tank cleanup contractors, and a registration fee for each report submitted to the agency. General Fund to continue the program is not provided in the Governor's recommended budget and projected revenue from the existing fees will only support 2.5 FTE. The recommended budget proposes a certification fee increase to $100 from $50 to restore 1 FTE.
- $208,280 Other Funds to maintain the marine spill preparedness program used for oil spill planning and prevention. Due to projected revenue shortfalls from the existing fee, the program is reduced by 1.25 FTE in the current service level budget. Restoration of the positions would return the program to a total of 3.35 FTE. The revenue source for the restoration is an Oil Spill Prevention Fee increase assessed on self-propelled tank vessels, oil tankers, oil barges, and all oil terminal facilities.

- $199,988 Other Funds for the addition of an Environmental Cleanup Administrator position (1 FTE). The position, a Principal/Executive Manager G, would serve as the administrator for a new DEQ Division. The recommended budget proposes to split the Waste Management and Cleanup Division into 2 separate divisions. The position is funded with HSRAF revenues.
- $165,491 Other Funds for the addition of a Northwest Region Solid Waste Manager position (1 FTE). The position, a Principal/Executive Manager E, would provide administration of the solid waste program in the Northwest Region. With the addition of the position, the solid waste program would be provided with the same administrative structure and presence as the other environmental programs in the region. The position is proposed for funding with existing solid waste permit and disposal fees.

DEQ – Cross Media

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	78,961	82,480	868,841
Other Funds	0	1,180,677	549,240	549,240
Federal Funds	0	548,314	429,318	429,318
Total	**0**	**1,807,952**	**1,061,038**	**1,847,399**
Positions (FTE)	0.00	12.42	1.40	4.40

Program Description

The Cross Media program was established within the agency's structure in 1999 to highlight the needs of addressing environmental issues that cross the agency's traditional program lines. The operations of the new section were formerly included within Agency Management. The separate section approach will enable these efforts across a broader spectrum of the agency's responsibilities to be distinguished from general management and centralized services.

Major cross media efforts planned for the 2001-03 biennium include creating more effective and efficient public participation in facility permitting, incorporating best management practices to prevent the costs and pollution of non-value added processing, and managing the pollution control tax credit program.

Revenue Sources and Relationships

The 2001-03 version of the Cross Media program includes General Fund for support of the Community Solutions Team, and Other Funds from pollution control tax credit fees provided for agency work associated with certification of tax credit applications. Federal Funds for Cross Media activities are from Environmental Protection Agency pollution prevention grants. In previous biennia, these grants were included as part of the Hazardous Waste and Air Quality federal special projects budgets.

The Green Permit program was authorized by the Legislature in 1997 and continued in 1999 with passage of Senate Bill 774. The program was funded to establish rules for a permitting system that would encourage the use of innovative environmental approaches to achieve results significantly better than required by existing law. The program is not included for continuation in the Governor's recommended budget.

Budget Environment and Performance Measures

The agency plans on implementation of cross media projects on a limited basis during the 2001-03 biennium in order to enhance coordination of effort across program lines. The projects are anticipated to increase agency efficiency in measuring environmental results and each project will include outcome measures.

The agency has not provided any information on performance measures for the Cross Media program.

Governor's Budget

The Governor's recommended budget for the Cross Media Program of $1.8 million is a 74% increase from the current service level. Comparisons to the 1999-01 estimated expenditures are not relevant due to a transition in the program's responsibilities and shifts of funding sources.

- Other Funds are reduced by $1,127,284 in the current service level due to revenue shortfalls in the Community Solutions Team program. The program was authorized by the Legislature in 1999 after being touted by the Governor's Office as part of the Livability Initiative. The program was to be funded with federal transporation funds through the Oregon Department of Transportion. The funding mechanism failed to materialize as planned resulting in fund shifts during the 1999-01 biennium to continue program operation.

- $786,361 General Fund is provided as a program enhancement to continue 3 positions (3 FTE) working on Community Solutions Team issues.
- Other Funds are reduced in the current service level by $758,000 due to the shift of the Portland Harbor work from Cross Media to Waste Management and Cleanup Division.
- Other Funds are increased in the current service level budget by $550,000 due to a proposed shift of the pollution control tax credit program management from the Air, Water, and Waste Management and Cleanup Divisions to the Cross Media program. The shift is to better reflect the operational reality of the tax credit program and involves the net movement of 1 FTE into Cross Media.

DEQ – Agency Management

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,956,334	285,066	247,563	247,563
Other Funds	10,692,234	16,817,034	16,375,331	17,975,051
Federal Funds	707,669	0	0	0
Total	**14,356,237**	**17,102,100**	**16,622,894**	**18,222,614**
Positions (FTE)	73.42	78.92	77.56	87.56

Program Description

The Agency Management program provides leadership, coordination, and support for the Department and staff assistance for the Environmental Quality Commission. Agency Management includes the Office of the Director, the Public Affairs Office, the Interprogram Coordinator, and the Management Services Division. Management Services consists of the Accounting, Budget and Administration, Human Resources, Information Systems, Business Systems Development, and Health and Safety sections.

Revenue Sources and Relationships

Agency Management is financed primarily from indirect cost revenues. The indirect rate is calculated as a percentage of personal services. In previous biennia, the indirect rate was applied to personal services from Other Funds and Federal Funds sources. Agency Management received a direct General Fund appropriation to account for the remaining approved central service expenditures. Beginning with the 1999-01 biennium, the indirect collection methodology was changed to include all funding types, including the General Fund. The budgeted indirect rate is set at 19.2% of personal services to provide sufficient revenue to fund Agency Management's current service level budget. The actual rate will be negotiated with the Environmental Protection Agency once the agency's total budget is established. The change in methodology was necessary in order to meet the conditions of the agency's agreement with EPA on charging the indirect rate against federal revenues. One budgetary effect of this procedure is a double counting of the indirect charged against General Fund positions. The budget first counts the General Fund appropriation to each program for personal services and then counts 19.2% of that General Fund amount as Other Funds expenditure limitation in the Agency Management program.

Budget Environment and Performance Measures

Agency Management was responsible for coordinating the Department's Strategic Planning effort during the 1997-99 biennium. The agency's Strategic Plan will be used as a tool for describing agency functions, for measuring success in attaining the agency's goals, and for determining priorities between and within programs. During the 1999-01 biennium, the Division led agency efforts to develop a time-accounting system that will enable the agency to provide additional information on accountability and program efficiency.

The agency is in the process of developing performance measures for all programs. No performance measures have been reported for Agency Management.

Governor's Budget

The Governor's recommended budget for Agency Management is $18.2 million, an increase of 6.5% from the 1999-01 estimated expenditures and 9.6% higher than the current service level. The recommended budget includes an increase of 10 FTE from the current service level. The budget includes four proposed changes, including a program reduction and three program option packages:

- A reduction of $299,971 Other Funds and the elimination of 2 positions (2 FTE) is incorporated into the recommended budget as a program reduction. The positions affect agency-wide library support and rules coordination. The program reduction results in a decrease in the amount of indirect revenue needed to be collected from other programs to support Agency Management activities.
- $888,016 Other Funds to support 4 new Information Systems positions (4 FTE) to improve public access to agency data and electronic information. In addition to the positions, the package provides $300,000 for professional service contracts to upgrade computer systems and to provide an interface with the Laboratory's analytical data. The enhancement is funded with indirect revenue charged against program personal service expenditures.
- $559,230 Other Funds to support 4 new positions (4 FTE) for productivity and accountability improvements. The additional resources will assist with the development of process improvements and the agency-wide time accounting system. The positions include a time accounting data manager and a permanent organization improvement coordinator. The enhancement is funded with indirect revenue charged against program personal service expenditures.
- $452,445 Other Funds to support 4 new positions (4 FTE) to provide the fiscal, accounting, and payroll services necessary for staff additions in other agency enhancement packages. These positions would be funded with indirect revenue charged against other program personal service expenditures. The recommended funding for this package assumes approval of all other packages in the agency's recommended budget. Changes, either reductions or additional increases, to the recommended budget would affect the relative need for this package.

DEQ – Pollution Control Bond Fund Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,786,951	11,179,462	14,399,945	14,399,945
Lottery Funds	5,873,919	0	0	305,510
Nonlimited	28,192,286	7,973,944	1,904,938	2,187,343
Total	**37,853,156**	**19,153,406**	**16,304,883**	**16,892,798**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The sale of pollution control bonds is used by the Department to finance the State Revolving Fund, the Sewer Assessment Deferral Loan program, and the Orphan Site program. Bond proceeds are used to finance municipal waste water facility construction, an assessment deferral program for low income households, and cleanup of hazardous waste sites where the responsible party is either unknown, unwilling, or unable to pay for cleanup costs. Bond proceeds also provide the 20% state match for federal capitalization funding.

Revenue Sources and Relationships

Debt service for the waste water program was initially paid from the General Fund, but in 1993-95 was shifted to Lottery Funds. Lottery Funds had also been used to pay for a portion of the Orphan Site Bond debt service. The 1999 Legislature removed all Lottery Funds out of the debt service payment and shifted the amount to General Fund. The action was taken to provide additional Lottery Funds for economic development activities and to more easily identify Measure 66 Lottery Fund allocations in the agency's budget. Other Funds nonlimited expenditures are for loans to municipalities and the related debt service.

For the Orphan Site program, excluding solid waste sites, the Legislature initially provided that debt service would be financed in equal shares from the hazardous substance possession fee and the petroleum load fee. Following a 1993 court ruling on petroleum assessments, the Attorney General advised that the load fee no longer could be used for this purpose. The Legislature substituted temporary funding and directed a Joint Legislative Task Force to find a permanent funding source. The task proved difficult, and no alternative was recommended to the 1995 Legislature. The Legislature froze the hazardous substance possession fee at a level sufficient to pay the debt service on past bond sales and funded 1995-97 orphan site bond sales from a combination of base budget savings, lottery funds, and General Fund. The Department was directed to convene a task force to make recommendations to the 1997 Legislature on a funding mechanism to replace the financing arrangement. With the failure to adopt any recommendations for change, the financing mechanism remained unchanged, representing a combination of General Fund, Lottery Funds, and the Hazardous Substance Possession fee. In 1999, the Legislature shifted the Lottery Funds debt service to General Fund.

Budget Environment and Performance Measures

Communities with exceptional pollution control problems are able to receive grants under the Department's bond programs. The grants and interest costs are supported out of the sinking fund as debt service obligations are met. Through June 30, 1999, a total of $24.5 million had been appropriated from the General Fund for application toward the debt service on $39.8 million in grants.

Governor's Budget

The Governor's recommended budget funds debt service on previously issued bonds for the Orphan Site and Clean Water State Revolving Loan Fund programs at the current service level with $14.4 million General Fund. Bond sales for the 2001-03 biennium include a different mechanism to fund debt service.

- For the Industrial Orphan Site program, the agency requested approval of an $8 million bond sale for cleanup work in the 2001-03 biennium and sought $877,075 General Fund for debt service needs in 2001-03 on this sale. The Governor's recommendation is to delay the bond sale until June 2002 and use $282,405 Other Funds from HSRAF balances for debt service in 2001-03. Future debt service on these bonds to be issued in 2001-03 is not addressed.
- For the Clean Water State Revolving Loan Fund program, the agency requested approval of an $8 milliion General Obligation bond sale with $669,209 General Fund for debt service needs in 2001-03. The Governor's recommendation is to use a $9.1 million Lottery revenue bond sale with $305,510 Lottery Funds for debt service in 2001-03.

DEQ – Nonlimited

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	78,249,509	121,284,276	66,020,339	114,264,835
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Nonlimited program represents bond sale activity for all Department programs. Use of bond sales for 2001-03 are anticipated for the State Revolving Fund ($9 million), orphan site environmental cleanup ($8 million), and loans to local governments for construction of eligible waste water treatment and solid waste facilities ($21 million). The loans to local governments are anticipated for use as companion loans when the amount of State Revolving Fund proceeds available to the community is not sufficient to meet the wastewater capital investment needs.

Revenue Sources and Relationships

The primary repayment sources for the bond proceeds include General Fund for State Revolving Fund matching bonds, loan repayments from local governments for the companion loan bonds, and a combination of General Fund and the Hazardous Substance Possession Fee for orphan site bonds. The Governor's recommendation for 2001-03 adds HSRAF revenues for Orphan Site debt service and Lottery Funds for State Revolving Fund debt service.

Governor's Budget

The Governor's recommended budget for the agency's nonlimited expenditures includes authority for $93 million in new State Revolving Fund loans and $21 million in new loans to local governments for solid waste facilities and sewer systems.

Department of Fish and Wildlife (ODFW) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	17,564,292	16,469,434	16,096,562	20,623,991
Lottery Funds	0	7,747,295	3,730,046	1,688,035
Other Funds	84,567,676	83,442,940	84,158,808	87,537,794
Federal Funds	70,200,097	89,738,784	85,125,149	93,277,685
Nonlimited	17,080,315	8,331,000	2,258,015	2,258,015
Total	**189,412,380**	**205,729,453**	**191,368,580**	**205,385,520**
Positions (FTE)	956.26	1,003.44	902.60	998.91

The 1999-01 Estimated Lottery Funds total is greater than reported in the Governor's recommended budget due to the inclusion of a November 2000 Emergency Board action to increase Lottery Funds expenditure limitation by $2 million and add 2.63 FTE for the Natural Production Fish Screening Program.

The Department of Fish and Wildlife (ODFW), under direction of its seven-member Commission, manages the fish and wildlife resources of the state. The agency 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 agency is facing a number of major issues including declining fish populations, potential listings of fish species as threatened and endangered, operation and maintenance of fish hatcheries, landowner relationships and access for hunting, and the continuation of Department programs under reduced staffing from declining revenues.

The agency initiated a formal planning effort in 1997 with the creation of a strategic operational plan. The six-year strategic plan, known as *Vision 2000*, is used to identify the agency's mission, goals, principles, strategic themes, and performance measures.

Governor's Budget

The Governor's recommended budget for the Department of Fish and Wildlife is $205.4 million, nearly unchanged from a revised estimate of 1999-01 expenditures, but an increase of 7% over the current service level. The recommended budget includes $20.6 million General Fund, an increase of $4.2 million, or 25%, from the 1999-01 appropriation. The amount of increase is due to a combination of factors including a fund shift of Oregon Plan activities from Lottery Funds to General Fund, the restoration of General Fund provided on a one-time basis in 1999-01, and a fund shift from license revenue to General Fund to support positions unable to be filled during 1999-01 due to cost-of-living adjustments. Lottery Funds are reduced in the recommended budget by $6 million as a result of the shift of Oregon Plan staff to General Fund and the elimination of Lottery Fund support for fish screening activities. The recommended budget also assumes removal of a sunset on a fee increase for hunting and fishing licenses and tags approved by the 1999 Legislature. The fee increase will sunset January 1, 2002, without legislative action to repeal or extend the sunset. The recommended budget assumes $4.6 million Other Funds from the fee increase for program activities in the 2001-03 biennium. The recommended budget also includes a $3.5 million Federal Funds increase, a 4% gain from 1999-01 estimated levels. The proposed budget funds 998.91 FTE, roughly the same number approved during the 1999-01 biennium. In order to fund priorities, the recommended budget includes several program reductions, including reduced production at 3 hatcheries and reduced hatchery maintenance.

ODFW – Fish Division Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	14,176,583	12,153,465	11,622,922	14,484,345
Lottery Funds	0	7,747,295	3,730,046	1,688,035
Other Funds	23,209,846	23,391,753	24,083,529	24,932,747
Federal Funds	55,453,091	64,514,519	63,843,340	68,741,495
Total	**92,839,520**	**107,807,032**	**103,279,837**	**109,846,622**
Positions (FTE)	648.62	687.67	621.51	673.94

Program Description

The Fish Division manages and enhances the habitat, production, and use of fishery resources for the benefit of Oregon's citizens and communities. The economic value from the commercial and recreational fisheries is significant to the state both in terms of direct earned income from industry salaries and wages and expenditures of anglers during sport fishing activities. The Fish Division is organized into four program areas: Propagation, Natural Production, Marine Resources, and Interjurisdictional Fisheries.

Revenue Sources and Relationships

Funding of Fish Division programs is derived from a number of sources. General Fund is used primarily to support hatchery operations and the Oregon Plan activities toward the restoration of salmon populations and watersheds. Other Funds revenues are received from recreational and commercial fishing licenses, tag sales, commercial landing fees, hydroelectric operator fees, contracts with non-federal agencies, interest income, and donations. The 1997 Legislature authorized the agency to begin retaining 100% of the commercial fishing industry fees for deposit into the Commercial Fisheries Fund. Prior to the 1997-99 biennium, 75% of the commercial fishing industry fees were deposited into the General Fund. The 1999 Legislature authorized the agency to retain revenues obtained from confiscated fish landings.

The major Federal Fund source is Wallop-Breaux funds from a federal excise tax on angling equipment. Other federal sources include the U.S. Department of Commerce (National Marine Fisheries Service), the U.S. Department of Energy (Bonneville Power Administration), U.S. Army Corps of Engineers, Department of Interior (U.S. Fish and Wildlife Service), Bureau of Land Management, and Regional Fish Management Councils. Federal funds are received under contractual agreements to operate hatcheries, conduct specific research, provide mitigation, and perform administrative functions. Matching fund requirements vary between 25 and 50% by individual agreement.

Budget Environment and Performance Measures

Depressed fishery resources and sales of sport fishing licenses and tags at levels unable to sustain current service levels have plagued the Fish Division. Over the past four years, coho salmon stock conditions have been weak resulting in restricted fishing seasons. Federal Endangered Species Act (ESA) listings or proposed listings of salmon populations on the Oregon coast, the Klamath River, and the Columbia Basin have led to severe fishing constraints. Additional listings under the ESA are proposed for various populations of steelhead, cutthroat trout, and bull trout, which could result in more restrictive regulations on inland fisheries. Major reductions in allowable harvests for various important groundfish species have adversely affected commercial fishing harvesters and processors. In addition to the shorter seasons and more restrictive fishing regulations, demographic changes appear to be affecting sales of sport angling licenses. Angling participation rates may also be declining due to the aging of the state's population and the availability of numerous other recreational opportunities. The Department has attempted to accommodate the combined effects of these environmental factors by reorganizing, streamlining, and refocusing program efforts.

Each of the major Fish Division programs have developed performance measures tied to the *Vision 2000* document, but the agency is continuing efforts to refine the existing measures and to develop additional measures able to track program effectiveness and efficiency.

Governor's Budget

The Governor's recommended budget for the Fish Division is $109.8 million, an increase of 1.9% from 1999-01 estimated levels and 6.3% greater than the current service level. The recommended budget retains positions that would be lost without a repeal of the license fee sunset and adds $2.3 million General Fund to the 1999-01 levels. Lottery Funds are reduced by more than $6 million due to a shift of Oregon Plan funding to General Fund and to a failure to include Lottery Funds for a continuation of the Measure 66 Fish Screening Program. The Fish Division receives nearly 75% of all Federal Funds received by the agency; the recommended budget includes $68.7 million Federal Funds, an increase of 6.5% from 1999-01. Two-thirds of the agency's staff work in the Fish Division; the recommended budget funds 673.94 FTE in the Fish Division, a 1.6% decrease from 1999-01 approved positions.

ODFW – Fish Division/Propagation

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	7,750,317	8,069,174	7,998,122	7,617,789
Other Funds	9,508,354	6,954,168	6,906,881	7,455,304
Federal Funds	26,610,039	27,609,720	28,386,732	28,386,732
Total	**43,868,710**	**42,633,062**	**43,291,735**	**43,459,825**
Positions (FTE)	297.91	260.71	254.71	253.21

Program Description

The purpose of the Fish Propagation program is to produce fish through artificial propagation to augment natural production and to provide fish for the sport and commercial fisheries. The program's 34 hatcheries and 15 satellite rearing facilities, including Salmon and Trout Enhancement Program (STEP) facilities and the Clatsop Economic Development Committee facility, combined produce about 53 million salmon, steelhead, and trout annually. Seventy percent of all fish caught by recreational anglers are hatchery fish. Funding supports program administration, technical expertise on fish culture and rearing, and hatchery operation and maintenance, which includes fish health monitoring, tagging / fin clipping, and stocking. Anglers, both recreational and commercial, benefit from the hatchery program. Hatcheries are also a tourist attraction and receive 1.4 million visitors per year.

Revenue Sources and Relationships

The Propagation program is funded by various Other Funds revenue sources including fishing licenses and tag sales, contractual agreements with non-federal agencies, commercial fishing industry fees, interest income, and donations. Federal revenues are received from the U.S. Department of Energy through the Bonneville Power Administration, the Department of Commerce through the Mitchell Act, and the Department of the Interior through the Lower Snake River Compensation Plan. General Fund is also provided to support state operated hatchery programs.

Budget Environment and Performance Measures

The program's goals and directions have been affected by changes in fish policies at both the state and federal levels. Coastal coho hatchery production priorities are expected to change as a result of the reductions in wild coho stocks. Hatchery production will focus on broodstock maintenance, conservation supplementation, and terminal fishery projects in conjunction with efforts to protect wild salmon stocks.

The Fish Propagation program measures performance by the success of hatchery personnel in rearing salmon, steelhead, and trout from the time of ponding to the time of release and to produce the number of fish requested by management biologists. The fry to smolt survival goal is 90% and the number of fish to be released is to be within plus or minus 5% of the program goal. For the 1990-94 brood years, the program's fry to smolt survival ranged between 91.7% and 96.9 percent. The number of fish produced ranged between 75.5 million and 92 million.

Governor's Budget

The Governor's recommended budget for the Propagation program is $43.5 million, an increase of 1.9% from the 1999-01 estimated levels. The recommended budget includes $7.6 million General Fund, $7.5 million Other Funds, and $28.4 million Federal Funds. The requested General Fund is $0.4 million less than in 1999-01. The budget supports a total of 253.21 FTE, a decline of 7.5 FTE from 1999-01.

The Propagation program's recommended budget includes several proposed funding changes:

- A reduction of $834,305 General Fund from the program's base budget eliminates 8 positions (7.50 FTE) and production at 3 hatcheries (Butte Falls, Rock Creek, and Trask).

- $548,423 Other Funds from the license fee sunset repeal restores 3 positions (3 FTE) and related services and supplies at the Elk River, Butte Falls, Cole Rivers, Salmon River, and Nehalem hatcheries; the positions are eliminated in the current service level budget due to a revenue shortage.
- $281,600 General Fund is added to replace the one-time General Fund provided for the 1999-01 biennium and continues 3 positions (3 FTE) used in fish culture programs at the Nehalem hatchery.
- $172,372 General Fund is added for the purchase of live rainbow trout (62,000 pounds) from private aquaculture facilities based on the principles of Senate Bill 834 (1999).

ODFW – Fish Division/Natural Production

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,409,135	1,383,220	1,485,377	4,315,514
Lottery Funds	0	7,747,295	3,730,046	1,688,035
Other Funds	11,640,038	11,377,579	12,021,774	11,991,393
Federal Funds	22,756,114	28,644,946	27,662,714	30,760,423
Total	**38,805,287**	**49,153,040**	**44,899,911**	**48,755,365**
Positions (FTE)	272.43	305.69	261.79	298.42

The 1999-01 Estimated Lottery Funds total is greater than reported in the Governor's recommended budget due to the inclusion of a November 2000 Emergency Board action to increase Lottery Funds expenditure limitation by $2 million and add 2.63 FTE for the Natural Production Fish Screening Program.

Program Description

The Fish Natural Production program manages freshwater fish, trout, steelhead, and salmon within the state's rivers, streams, and lakes. The program directs the inventory of fish populations and their habitats, conducts genetic research, assesses freshwater fisheries, develops fish conservation and management plans, manages state and federally listed fishes, and administers angling regulations. The Salmon and Trout Enhancement Program, the Restoration and Enhancement Program, and the Fish Screening and Fish Passage Programs are part of the Fish Natural Production program.

Revenue Sources and Relationships

The Natural Production program Other Funds revenue sources include fishing license and tag sales, contractual agreements with non-federal agencies, and hydroelectric operator fees. Federal Funds are received from the Bonneville Power Administration, U.S. Army Corps of Engineers, National Marine Fisheries Service, and the Department of Interior through Sport Fish Restoration funds. The program receives Lottery Funds (Measure 66) for Oregon Plan related work and for fish screening activities. The 1999 Legislature directed the Oregon Watershed Enhancement Board to provide at least $4 million of Lottery Funds from Measure 66 capital expenditure funds for the Fish Screening Program. The Emergency Board approved Lottery Funds expenditure limitation increases for the Natural Production program of $2 million in December 1999 and $2 million in November 2000 and approved the addition of 19 limited duration positions (9.51 FTE).

Budget Environment and Performance Measures

Endangered species listings by the federal government have increased the pressure on the Natural Production program to effectively manage fish populations. Oregon Plan requirements for fish population surveys and habitat assessments have also created additional workload for the program.

The Natural Production program measures performance by tracking the percentage of wild fish populations in Oregon that are known to meet the minimum abundance and interbreeding with hatchery fish standards of the Wild Fish Policy. In 1991, only 9.1% of the populations met the standards, rising to 30% in 1996, and to 50% in 1998. The target is for 65% in 2000 and 80% by 2002. The program also tracks the number of stream surveys conducted statewide. These surveys collect information on the physical attributes of instream habitat, riparian characteristics, and channel morphology. Surveys were conducted on 5,000 miles of streams from 1990 through 1995. The program expected to survey approximately 600 stream miles per year after 1995. No data on these subsequent years is reported.

Governor's Budget

The Governor's recommended budget for the Natural Production program is $48.8 million, a decrease of approximately 1% from the 1999-01 estimated expenditures. The proposed budget is 8.6% higher than the current service level. The recommended budget includes $4.3 million General Fund, more than 3 times the amount provided in the 1999-01 biennium. The primary reasons for the increase is a shifting of Lottery Funds (Measure 66) to General Fund for Oregon Plan related work and the failure to include Lottery Funds for continuation of the Measure 66 Fish Screening Program. The 1999 Legislature directed the Oregon Watershed Enhancement Board to provide $4 million for fish screening projects through the Department of Fish and Wildlife. While this revenue was transferred through Emergency Board action during the 1999-01 interim, the program is not continued in the Governor's recommended budget. Nearly two-thirds of the total program funding is derived from Federal Funds, up by 7.7% to a total of $30.8 million. The recommended budget supports a total of 298.42 FTE, a decline of 7.27 FTE from the 1999-01 approved level.

Major funding changes in the Natural Production program's recommended budget include:

- A reduction of $438,410 General Fund from the program's base budget eliminates 2 positions (2 FTE) included in Oregon Plan activities, eliminates contract funding for cormorant hazing activities on the coast, and reduces fish screening program services and supplies. The 2 eliminated positions are proposed for restoration in the Oregon Watershed Enhancement Board's recommended budget using Lottery Funds (Measure 66).
- $2,257,388 General Fund is added and $2,042,011 Lottery Funds are reduced to complete a fund shift of Oregon Plan personal service and services and supplies expenditures at the current service level.
- $865,493 General Fund is added and $865,493 Other Funds is reduced to complete a fund shift of COLA adjustments from license fee revenues to General Fund.
- $835,112 Other Funds from the license fee sunset repeal restores 9 positions (5.13 FTE) eliminated in the current service level budget due to revenue shortages. The restoration also includes funding for Diamond Lake restocking, if the project advances. The restored positions include assistant district field biologists and seasonals.
- $145,666 General Fund is added to replace and enhance the one-time General Fund provided in the 1999-01 biennium for the collection of fish population and fishery information. Four new positions (2 FTE) are added with the funding.
- $3,097,709 Federal Funds continue various limited duration positions and projects originally approved in the 1999-01 biennium for fisheries research. The funding is also used to add projects for Oregon Plan related activities, to provide an ESA 4(d) analysis of hatchery programs, and to extend other limited duration positions engaged in monitoring and inventory work. A total of 32 positions are included (31.5 FTE).

ODFW – Fish Division/Marine Resources

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,017,131	1,529,969	1,057,276	1,580,593
Other Funds	2,061,454	2,893,045	3,189,282	3,189,282
Federal Funds	6,086,938	3,217,669	3,331,761	5,132,207
Total	**10,165,523**	**7,640,683**	**7,578,319**	**9,902,082**
Positions (FTE)	78.28	70.79	65.28	78.83

Program Description

The Fish Marine Resources program recommends regulations and assesses harvest of commercial fisheries including ocean salmon, ocean groundfish, estuary bait fish, shrimp, crab, urchin, and other estuarine species. The program also monitors recreational fishing and is responsible for developing new sustainable fisheries and for assessing harvest levels and making allocation decisions between competing user groups. New fisheries must be provided with sufficient attention to ensure orderly development and sustainable yields over time.

Revenue Sources and Relationships

The Marine Resources program receives the majority of Other Funds revenue from the commercial fishing industry through license fees, landing fees, and the proceeds from the sale of confiscated commercial fish. The program also receives some angling license and tag sale revenues. Federal Funds are from the U.S. Department of Commerce and Department of Interior.

Budget Environment and Performance Measures

Recent Endangered Species Act listings have increased attention on protecting marine habitat and the management of ocean resources. Actions taken by the Pacific Fishery Management Council have lowered the harvest limits of many marine fish species, adversely affecting the commercial fishing industry.

The Marine Resources program measures performance by tracking the value of the commercial fisheries compared to the cost of managing the resource. In 1997, the value of commercial landings per dollar of management cost was $13.78, down from $15.46 in 1995, but higher than the $12.35 recorded in 1991.

Governor's Budget

The Governor's recommended budget for the Marine Resources program of $9.9 million is an increase of 29.6% from the 1999-01 estimated expenditures. The increase is primarily due to additional Federal Funds, which increase by nearly $2 million, a gain of 60% over the 1999-01 biennium. The recommended budget includes $1.6 million General Fund, up marginally from 1999-01 levels. The budget funds a total of 78.83 FTE, an increase of 8.04 FTE from the current biennium.

The recommended budget for Marine Resources includes two major funding changes:

- $523,317 General Fund is added to replace the one-time General Fund provided for the 1999-01 biennium and to enhance the Marine Resources program with the addition of 7 positions (4.51 FTE). The funding restores base budget reductions made in previous biennia and would support the establishment of permanent Experimental Biology Aides, a Natural Resource Specialist 3 for marine mammal predation studies, and a permanent Administrative Specialist position. The funding also includes $230,000 to continue dockside sampling and at-sea research charter costs.
- $1,800,446 Federal Funds is added from the Pacific Salmon Treaty for management of West Coast salmonid stocks. The funding would be used primarily for coastal Chinook research and assessments. A total of 16 positions (9.04 FTE) are supported with the Federal Funds.

ODFW – Fish Division/Interjurisdictional Fisheries

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	1,171,102	1,082,147	970,449
Other Funds	0	2,166,961	1,965,592	2,296,768
Federal Funds	0	5,042,184	4,462,133	4,462,133
Total	**0**	**8,380,247**	**7,509,872**	**7,729,350**
Positions (FTE)	0.00	50.48	39.73	43.48

Program Description

The Fish Interjurisdictional Fisheries program was created in 1999 from a reorganization of the Natural Production and Marine Resources programs. The program is responsible for management of Columbia River anadromous fisheries, coordination of Columbia Basin activities, and participation in regional and international management councils for the management of marine and migratory fishes. The program monitors and evaluates projects funded through the Northwest Power Planning Council and provides the overall planning and management of the Fish Division.

Revenue Sources and Relationships

The Interjurisdictional Fisheries program receives Other Funds revenue from fishing license and tag sales and from contractual agreements with non-federal agencies. The program also receives small amounts of interest income and federal indirect payments. Federal Funds are derived from the Bonneville Power Administration, the U.S. Army Corps of Engineers, the National Marine Fisheries Service, and the Department of Interior in the form of Sport Fish Restoration funds.

Budget Environment and Performance Measures

The issues and problems associated with both the recreational and commercial fishing sectors have required increasing involvement of the state's fish managers in intergovernmental forums at the regional and national levels.

The Interjurisdictional Fisheries program has no reported performance measures.

Governor's Budget

The Governor's recommended budget for the Interjurisdictional Fisheries program is $7.7 million, a decrease of 7.8% from the 1999-01 estimated expenditures. The decrease is due to a reduction in Federal Funds, down by nearly $0.6 million and a decline in General Fund support. The recommended budget supports 43.48 FTE, a reduction of 7 FTE from the 1999-01 levels.

The Interjurisdictional Fisheries program's recommended budget includes the following proposed funding changes:

- A reduction of $208,741 General Fund from the program's base budget eliminates a $56,500 contract with the Oregon Coastal Zone Management Association and miscellaneous services and supplies within the program.
- $428,219 Other Funds from the license fee sunset repeal restores 12 positions (3.75 FTE) eliminated in the current service level budget due to revenue shortages. The positions include 11 Experimental Biology Aides and one Natural Resource Specialist used in the tagging and fishery sampling of the Columbia white sturgeon fishery.
- $97,043 General Fund is added and $97,043 Other Funds are reduced to complete a fund shift of COLA adjustments from license fee revenues to General Fund.

ODFW – Wildlife Division Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	720,053	1,480,921	1,529,315	2,084,315
Other Funds	20,233,789	21,631,172	22,458,869	23,099,830
Federal Funds	7,369,439	10,177,221	10,328,772	13,128,713
Total	**28,323,281**	**33,289,314**	**34,316,956**	**38,312,858**
Positions (FTE)	173.15	166.80	158.46	173.80

Program Description

The Wildlife Division manages wildlife with the objective of maintaining all species at optimum levels for the recreational and aesthetic benefit of the public, consistent with the primary use of the land and waters of the state. The Division is organized into three program areas: Game, Habitat, and Diversity.

Revenue Sources and Relationships

The Wildlife Division had historically been funded entirely from Other and Federal Funds, except for the Wildlife Diversity program which received approximately one-fourth of its budget from the General Fund. The 1999 Legislature provided one-time General Fund to support activities jeopardized in the 1999-01 biennium due to revenue shortages. The primary Other Funds revenue source is the sale of hunting licenses and tags. Revenue is also obtained from sales of waterfowl and upland game bird stamps and prints, fines and forfeitures from game law violations, funds from contractual agreements with non-federal agencies, and donations. The Wildlife Diversity program receives Other Funds from non-game income tax check-off contributions and one-half the interest earnings of the Wildlife Fund.

Federal Funds received by the Wildlife Division result from federal laws or agreements with federal agencies to complete specific types of work. Primary sources are the U.S. Department of Interior (Fish and Wildlife Service), Department of Agriculture (Forest Service), Department of Energy (Bonneville Power Administration), Department of Commerce (National Marine Fisheries Service), Department of Defense (Army Corps of Engineers), and the Bureau of Land Management. The single major source of Federal Funds is the Pittman-Robertson Act, which support habitat improvement projects and wildlife management areas. Pittman-Robertson Act funds require a 25% state match.

Budget Environment and Performance Measures

The Wildlife Division shared in the revenue shortfalls encountered by the Department over the past 6 years, but not at the same level of intensity found in the Fish Division. Hunting license sales for Wildlife Division programs are down, but by substantially less than fishing license sales. National and state trends indicate a declining proportion of the population engaging in hunting activities. Continuation of these trends coupled with difficulties in attaining easy access to traditional hunting locations could result in further erosion of hunting license and tag sales.

The Division continues to receive increasing numbers of complaints concerning wildlife damage to property. Increasing levels of bear and cougar damage complaints are addressed by district personnel. Limited resources in the Wildlife Diversity Program continue to restrict the agency's ability to monitor existing and potential threatened and endangered species. Staff concentrate on recovery actions instead of conducting preventive efforts that could avoid future listings of threatened and endangered species.

Performance measures for the major programs of the Wildlife Division have been developed in conjunction with the *Vision 2000* document. The agency is continuing to refine these measures and to develop additional measures that can be used to track program effectiveness.

Reported measures for the Wildlife Division currently include the number of hunter tags provided, the number of acres managed for the public and for wildlife resources, the number of recreational use days on agency managed lands, the percentage of big game management objectives reached as measured by individual species of elk and deer by geographical unit, and the number of threatened and endangered species which are re-listed or have improving status. Data for these measures is often sporadic or not reported and the utility of these measures for tracking program effectiveness and efficiency is questionable.

Governor's Budget

The Governor's recommended budget for the Wildlife Division totals $38.3 million, an increase of 15.1% from 1999-01 estimated expenditures and 11.6% higher than the current service level. The recommended budget proposes to restore positions eliminated in the current service level budget due to the repeal of the license fee increase. The Governor's budget assumes elimination of the repeal allowing the use of $1.1 million Other Funds from the fee increase for base program activities. The recommended budget adds approximately $0.6 million General Fund to the 1999-01 levels with most of the increase occurring in the Game program. The Wildlife Division receives roughly one-third of revenues from the federal government. The recommended budget includes $13.1 million Federal Funds, an increase of nearly 30% from the 1999-01 biennium. The proposed budget supports 173.80 FTE, an increase of 7 FTE from 1999-01.

ODFW – Wildlife Division/Game

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	315,654	335,497	890,497
Other Funds	15,619,910	16,341,448	17,163,162	17,339,359
Federal Funds	792,237	1,907,894	1,802,430	1,909,758
Total	**16,412,147**	**18,564,996**	**19,301,089**	**20,139,614**
Positions (FTE)	102.16	99.23	93.60	99.23

Program Description

The Wildlife Game program manages game species including big game, furbearers, waterfowl and upland game birds. Most regional staff are budgeted within the Wildlife Game and the Habitat programs. Biologists, with the assistance of seasonal wildlife technicians, inventory big game species, develop and implement species management plans, respond to damage complaints, conduct hunter and harvest surveys, and assist in developing hunting regulations. Overall management and planning for the Wildlife Division is also included in the Game program budget. Hunter access is enhanced through the Regulated Hunt Area (RHA) and the Access and Habitat (A&H) Programs. The RHA is a cooperative program between the Department, landowners, and corporations to allow public hunting on privately controlled lands. The A&H program was initiated in 1993 to provide wildlife habitat enhancement and improved access to private lands. Other duties of the Game program include management of short-term research projects and habitat improvement projects for waterfowl and upland gamebirds.

Revenue Sources and Relationships

The Wildlife Game program receives Other Funds revenues from hunter license and tag sales, waterfowl and bird stamp and print sales, and contractual agreements with non-federal agencies. Federal Funds are received through contracts with federal agencies.

Governor's Budget

The Governor's recommended budget for the Game program of $20.1 million represents an 8.3% increase from the 1999-01 estimated expenditures. The recommended budget includes $0.9 million General Fund, up from $0.3 million in 1999-01. Prior to 1999-01, the Game program received no General Fund support. The budget supports 99.23 FTE, the same number as in the 1999-01 biennium. The budget also includes $17.3 million Other Funds and $1.9 million Federal Funds.

The Game program's recommended budget includes the following funding changes:

- $651,197 Other Funds from the license fee sunset repeal restores 6 positions (4.63 FTE) eliminated in the current service level budget due to revenue shortages. The positions are used in the wildlife damage program.
- $475,000 General Fund is added and $475,000 Other Funds are reduced to complete a fund shift of COLA adjustments from license fee revenues to General Fund.
- $80,000 General Fund is added for the predator control program required by state law to be funded at $40,000 per year. The program has used license fee revenues in the past. The U.S. Fish and Wildlife Service now claims that the use of license revenues for animal control represents a diversion of license funds under Federal Aid rules and jeopardizes the receipt of federal revenues. The funding is currently used in cooperation with the Oregon Department of Agriculture and U.S. Department of Agriculture's Wildlife Services program to control damage from predatory animals, rabbits, and rodents. Another option for the Legislature is to change the statutory language regarding predator control.
- $107,328 Federal Funds are added to continue a limited duration position (1 FTE) as permanent. The position is used for research work on black bear, cougar, and white-tailed deer in the Southwest Region.

ODFW – Wildlife Division/Habitat

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	410,796	449,581	449,581
Other Funds	3,970,207	4,792,578	4,767,492	5,232,256
Federal Funds	5,382,360	6,524,835	6,703,967	9,396,580
Total	**9,352,567**	**11,728,209**	**11,921,040**	**15,078,417**
Positions (FTE)	58.57	56.15	53.44	63.15

Program Description

The Wildlife Habitat program provides guidance in the agency's development of statewide goals and objectives related to the management of wildlife and their habitat. The program operates state-owned game management areas and develops projects to maintain and improve wildlife habitat. Projects include cover plantings, wildlife food crops, range rehabilitation, protective fencing, water developments, and artificial nesting sites. Wildlife Habitat is also responsible for coordinating, planning, and conserving existing habitat through contacts with other land management agencies and landowners. The unit operates the Green Forage program to help resolve big game damage problems by providing alternative food sources and the Deer Enhancement and Restoration (DEAR) program to assist landowners in improving mule deer habitat on their lands. The Habitat program is also responsible for winter feeding activities where range conditions are not sufficient to support existing winter big game populations. The Wildlife Habitat program is also responsible for management of the Access and Habitat (A&H) program. The A&H program started in 1993 and is used to provide both wildlife habitat improvement and improved hunter access to private lands. Projects are approved by a 7-member board and then submitted to the Fish and Wildlife Commission for final action.

Revenue Sources and Relationships

The Wildlife Habitat program receives Other Funds revenues from hunter license and tag sales. Federal Funds are derived from the Bonneville Power Administration through the BPA Wildlife Mitigation Program and from the U.S. Department of Interior in the form of Pittman-Robertson Act funds.

Governor's Budget

The Governor's recommended budget for the Habitat program totals $15.1 million, an increase of 28.6% from the 1999-01 estimated expenditures. The recommended budget includes $0.4 million General Fund, up marginally from the 1999-01 appropriation. Prior to 1999-01, the Game program received no General Fund support. Most of the program's recommended budgetary increase over the 1999-01 biennium is due to the receipt of Federal Funds. The program projects receiving $9.4 million Federal Funds in 2001-03, an increase of 44% from 1999-01. The recommended budget supports 63.15 FTE, an increase of 7 FTE from the 1999-01 biennium. The budget also includes $5.2 million Other Funds, an increase of 9.2% from last biennium.

The Habitat program's recommended budget includes the following funding changes:

- $464,764 Other Funds from the license fee sunset repeal restores 1 position (0.71 FTE) eliminated in the current service level budget due to revenue shortages. The additional Other Funds are also used to restore the license fee supported portion of the Green Forage and DEAR programs which are reduced by approximately 89% in the current service level budget.

- $2,692,613 Federal Funds are added for additional federal wildlife mitigation activities. The funding is proposed for use in making a limited duration position permanent and adding 3 new positions (total of 4 FTE) for the Columbia Basin Mitigation program funded by the Bonneville Power Administration. Four additional positions (4 FTE) are included to enhance current activities in the Willamette Basin Mitigation program, also funded by BPA. Willamette Valley habitat projects are also enhanced with U.S. Fish and Wildlife funds to support the addition of a position (1 FTE). The package also includes $1.2 million for land acquisition.

ODFW – Wildlife Division/Wildlife Diversity

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	720,053	754,471	744,237	744,237
Other Funds	643,672	497,146	528,215	528,215
Federal Funds	1,194,842	1,744,492	1,822,375	1,822,375
Total	**2,558,567**	**2,996,109**	**3,094,827**	**3,094,827**
Positions (FTE)	12.42	11.42	11.42	11.42

Program Description

The Wildlife Diversity program goal is the protection and recovery of non-game bird and animal species through the protection and enhancement of populations and habitat of native wildlife. Non-game biologists conduct species surveys, determine species management requirements, initiate efforts to preserve and improve critical habitats, and coordinate wildlife rehabilitation programs. The program provides consultation to other state agencies regarding threatened and endangered species as required under the Oregon Endangered Species Act. The Wildlife Diversity program conducted special contract surveys during the 1995-97 biennium on marbled murrelet nesting biology, western meadlowlark and other Willamette Valley grassland birds nesting requirements, neotropical migratory bird evaluations, red-legged frog breeding habitat, Washington ground squirrel breeding habitat, white-headed woodpecker nesting ecology, marine mammal food habits, and the status of Townsend's big-eared bat roosting colonies. Oregon's Threatened and Endangered Species List includes 25 nongame wildlife species and 5 nongame fish species. The state's Sensitive Species List, species not threatened or endangered but with populations or habitats that could lead to listing, includes 95 nongame wildlife species and 20 nongame fish species. The program also administers a number of special permits such as Scientific Taking, Wildlife Integrity, Sale of Wildlife Parts, Fur Dealer, and Taxidermist licenses.

Revenue Sources and Relationships

The Diversity program receives Other Funds revenues from the nongame income tax check-off contribution and interest income. Federal Funds are received from the U.S. Department of Interior for threatened and endangered species activities.

Governor's Budget

The Governor's recommended budget for the Diversity program of $3.1 million is up marginally from 1999-01 estimated expenditures and is unchanged from the current service level. The recommended budget includes $0.7 million General Fund, $0.5 million Other Funds, and $1.8 million Federal Funds. The proposed funding supports 11.42 FTE, the same number supported in the 1999-01 budget. The program's recommended budget includes no proposed funding reductions or enhancements.

ODFW – Habitat Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,164,653	1,229,457	1,348,937	1,908,641
Other Funds	2,296,258	3,530,088	2,862,509	3,457,157
Federal Funds	1,094,797	1,378,139	1,296,570	1,751,010
Total	**4,555,708**	**6,137,684**	**5,508,016**	**7,116,808**
Positions (FTE)	30.54	40.34	29.54	41.54

Program Description

The Habitat Division develops policies and coordinates implementation of programs to maintain and enhance habitat for fish and wildlife resources. The program develops procedures for preventing, minimizing, or mitigating impacts to fish and wildlife caused by habitat destruction. Division biologists, assisted by field personnel, analyze and comment on proposals under review by other state, local, and federal agencies. The Division coordinates analysis and written comment on public and private land proposals that affect fish or wildlife habitat. Division staff are also responsible for the Geographic Information System that contains standardized fish, wildlife, and habitat databases to assist in decision-making. The Division divides operations into two major programs, Water Resources and Land Resources.

Statutory law in Oregon requires or permits Fish and Wildlife Department involvement in actions conducted by a number of other state agencies. The Habitat Division provides the agency involvement with the actions of the Departments of Agriculture, Environmental Quality, Forestry, Geology and Mineral Industries, Water Resources, the Division of State Lands, and the Office of Energy. The Division was directed to participate in the review of hydroelectric reauthorization projects with the passage of HB 2119 (1997). Federal laws also require federal agencies or their applicants to consult with ODFW on environment and habitat issues.

Revenue Sources and Relationships

The Habitat Division receives Other Funds revenue from hunter and angler license and tag sales, fines and forfeitures, charges for services, and hydroelectric permit application fees. Federal Funds include revenue from the Federal Wallop-Breaux and Pittman-Robertson Funds. The Division also receives Federal Funds through contractual agreements with the U.S. Department of Energy, Department of the Interior, Environmental Protection Agency, and National Biological Service.

Budget Environment and Performance Measures

Recent state and federal law changes have increased the direction to agencies responsible with managing land and water to consider the impacts on the environment including fish and wildlife habitats. These changes have created a greater need for the most current technical information on habitats by both project applicants and agency personnel.

A management study of the agency conducted during the 1999-01 interim suggested combining the Wildlife Division Habitat program with the Habitat Division.

Performance measures for the Habitat Division include the number of wildlife habitat areas enrolled in the wildlife habitat conservation and management program, the number of stream miles where fish species presence has been documented, the amount of funding recovered to mitigate the effects of natural resource losses associated with pollution spills, the number of riparian lands enrolled in the Riparian Habitat Tax Incentive program, and the number of salmon habitat areas enhanced by the provision of technical assistance. While useful in tracking the volume of work conducted by the Habitat Division, these measures do not address issues of effectiveness of program activities.

Governor’s Budget

The Governor’s recommended budget for the Habitat Division of $7.1 million is an increase of 16% from the 1999-01 estimated expenditures. The recommended budget includes $1.9 million General Fund, up by 55.2% from the 1999-01 biennium. Other Funds are down by 2%, largely due to a fund shift to General Fund support for program activities. The recommended budget includes $1.8 million Federal Funds, an increase of 27.1% from the previous biennium. The proposed budget supports 41.54 FTE, an increase of 1.2 FTE from 1999-01, but up 12 FTE from the current service level.

The Habitat Division’s recommended budget includes the following funding changes:

- $559,704 General Fund is added to support 4 new positions (4 FTE) to provide technical assistance and consultation services on fish habitat. The package also includes an increase of $95,000 General Fund to offset a proposed reduction of $95,000 Other Funds for a fund shift of COLA adjustment costs from license fee revenue to General Fund.
- $664,472 Other Funds and $83,250 Federal Funds are included to continue 4 positions (4.50 FTE) supported with contract funds from the Oregon Department of Transportation, the Oregon Department of Forestry, and from hydroelectric fees. The Federal Funds included in the package represent U.S. Fish and Wildlife funding for Geographic Information System functions.

- $371,190 Federal Funds and $25,176 Other Funds are added in the recommended budget to continue 3 positions (3 FTE) and to add a new position (0.50 FTE) for participation in StreamNet information management activities using federal grant funding through the Bonneville Power Administration. The new position is a budget analyst position; the Wildlife and Habitat Divisions currently share a budget analyst.

ODFW – State Police Enforcement

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	12,226,061	10,597,722	10,862,665	10,862,665
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Oregon State Police, Fish and Wildlife Division's primary responsibility is to ensure compliance with laws that protect and enhance the long-term health and use of the state's fish and wildlife resources, including recreational and commercial fishing laws and regulations and hunting laws. The Department of Fish and Wildlife contracts with the Oregon State Police to provide these law enforcement services. These enforcement positions are included in the State Police budget. Officers in the Fish and Wildlife Division also routinely enforce traffic, criminal, boating, livestock, and environmental laws and respond to emergency situations.

Revenue Sources and Relationships

The State Police Fish and Wildlife Division receives General Fund support directly through the Oregon State Police Department budget and Other Funds revenue from the Department of Fish and Wildlife. For the 1999-01 biennium, the Fish and Wildlife Division was also provided Lottery Funds (Measure 66) to support enforcement of fish and wildlife policies. The revenue provided by ODFW represents equal shares of fishing and hunting license resources. The Division also receives smaller amounts of revenue from the Parks and Recreation Department for Deschutes River enforcement, from the Department of Environmental Quality for environmental investigations, and from the Marine Board for enforcement of boating laws.

Budget Environment and Performance Measures

The State Police Fish and Wildlife Division is more frequently being called upon to investigate natural resource violations outside of its direct fish and wildlife function. Examples include fill and removal, water quantity and quality, water pollution, and forest practices violations. One member of the Division has been assigned to work with the Department of Environmental Quality to investigate environmental crimes. The Division also serves a vital function in the Oregon Plan by providing enforcement of laws designed to protect the remaining salmon populations.

The proportion of the Fish and Wildlife Division's operating budget funded with transfers from the Department of Fish and Wildlife has declined over time. In the 1981-83 biennium, 75% of the enforcement budget was funded by hunting and angler license revenues from the Department of Fish and Wildlife. During 1991-93, ODFW funds comprised 69% of the fish and wildlife enforcement budget of the State Police. By the 1999-01 biennium, the proportion dropped to only 45 percent. Direct state support, through the General Fund and Lottery Funds, has been used in greater amounts for fish and wildlife enforcement support. In 1999-01, state support was responsible for 37% of the total enforcement budget; in 1991-93, only 20% of the enforcement budget was derived from the General Fund.

The total dollar amount transferred to the State Police for enforcement has not changed substantially since 1981-83 at approximately $11 million. During the same period, the amount of ODFW license revenues has increased by 94%, from $32 million in 1981-83 to $62.2 million in 1999-01. The percentage of the Department's license revenue transferred for enforcement activities has declined from 28% of total license revenue in 1981-83 to only 17% in 1999-01, equivalent to a $6.5 million reduction in Other Funds for the Fish and Wildlife Division's enforcement program.

Performance measures for the State Police Enforcement program are reported in the Oregon State Police budget.

Governor's Budget

The Governor's recommended budget includes a transfer of $10.9 million Other Funds from ODFW revenues for support of the State Police Fish and Wildlife Division. The amount represents a 2.5 % increase from the 1999-01 transfer and is unchanged from the current service level.

As a result of revenues not able to meet salary roll-up costs for positions added by the 1999 Legislature, the Governor's recommended budget for the Oregon State Police Fish and Wildlife Division includes a reduction of 22 positions from the 1999-01 level. The reduction includes 7 positions eliminated due to General Fund cuts, 7 positions eliminated due to Lottery Fund reductions, and 8 positions eliminated due to Other Funds shortfalls, including ODFW revenue transfers.

ODFW – Agency Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,045,079	1,153,675	1,138,307	1,934,911
Other Funds	21,963,325	20,059,514	19,791,236	21,085,395
Federal Funds	870,580	2,203,289	1,411,609	1,411,609
Total	**23,878,984**	**23,416,478**	**22,341,152**	**24,431,915**
Positions (FTE)	102.95	107.63	92.09	108.63

Program Description

Agency Administration provides general support functions to all programs of the Department. The Division includes the Office of the Director, the Fish and Wildlife Commission, Commercial Fishery Permit Boards, and the division of Human Resources, Information and Education, Administrative Services, and Information Systems. Agency Administration is also responsible for implementation and development of the Strategic Operational Plan and for management of the Point-of-Sale licensing system.

The Point-of-Sale licensing system was approved for development in the 1997-99 biennium after the vendor providing the previous system indicated its planned withdrawal of support. The new system was developed using internet technology for installation in all license agent locations, approximately 650 sites. The system provides benefits to both the agents and the Department.

Revenue Sources and Relationships

The Division is financed through a combination of General Fund, Other Funds, and Federal Funds. Other Funds include license and tag sales, federal indirect cost recovery, and small amounts of miscellaneous revenue, such as interest from certificates of participation, donations, and miscellaneous sales. Federal Funds are received from the U.S. Fish and Wildlife Service in support of the Hunter Education and Aquatic Education Programs in the Information and Education Section.

The operational costs of the Point-of-Sale licensing system are paid out of an agent fee collected on each transaction. One-half of the fee is retained by the agent with the other half transferred to the Department. The costs of development and implementation of the new POS system were financed with the sale of $3 million in certificates of participation.

Budget Environment and Performance Measures

The agency's budget development process is guided by the Strategic Operational Plan. The Plan was developed to guide agency decision-making on budget challenges over the next six years. The agency presents the budget plan to the public at a series of public meetings. Based on the responses to the plan, the Department makes changes to priorities. In conjunction with the strategic plan, the Division develops an annual business plan and action plans linked to employee work plans. The Division also provides regular reports to the Fish and Wildlife Commission on current biennium revenues and expenditures.

Some Divisions of Agency Administration have developed performance measures. The Information Systems Division monitors the number of statewide license agents using the Point-of-Sale licensing system and the number of big game controlled hunt applications. The Information and Education Division intends on tracking the number and types of opportunities for people to enjoy fish and wildlife experiences and the diversity of participants in fish and wildlife issues. The agency is expected to refine these measure and develop additional measures with accompanying data in order to monitor program effectiveness and performance.

Governor's Budget

The Governor's recommended budget for the Agency Administration Division of $24.4 million is an increase of 4.3% from 1999-01 estimated expenditures and up 9.4% from the current service level. The recommended budget includes $21.1 million Other Funds, $1.9 million General Fund, and $1.4 million Federal Funds. The proposed budget supports 108.63 FTE, an increase of one position from the 1999-01 approved levels.

The Agency Administration recommended budget includes the following funding changes:

- $1,674,159 Other Funds from the license fee sunset repeal restores 12 positions (12.29 FTE) eliminated from the current service level budget due to revenue shortages. Some of these positions are required to keep the Point-of-Sale licensing system support available 20 hours per day, 7 days per week.
- $639,854 General Fund is provided to add 2 new positions (2 FTE), including an Internal Auditor ($146,170) and a Personnel Officer ($113,684) to provide additional business services assistance. The General Fund package also includes $380,000 to offset a proposed Other Funds reduction of $380,000 as part of the fund shift of COLA adjustments from license fee revenues to the General Fund.
- $156,750 General Fund is provided to replace the one-time General Fund provided for the 1999-01 biennium in order to continue 1 position (2.25 FTE) used for controlled hunt data entry and license sales.

ODFW – Nonlimited Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	17,080,315	8,331,000	2,258,015	2,258,015
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Nonlimited expenditures finance payment of debt service on previously issued certificates of participation for the Point-of-Sale computer upgrade and headquarters office building.

Revenue Sources and Relationships

Debt service is financed from Department Other Funds revenue sources; the Point-of-Sale system is supported by half of the agent fee charged on all transactions.

Governor's Budget

The Governor's recommended budget funds the Nonlimited program at the current service level, down 73% from the 1999-01 estimated expenditures. The decrease represents an adjustment for one-time costs associated with development of the new Point-of-Sale licensing system.

ODFW – Capital Improvement

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	457,924	451,916	457,081	211,779
Other Funds	4,638,397	4,232,691	4,100,000	4,100,000
Federal Funds	21,390	3,065,616	3,144,858	3,144,858
Total	**5,117,711**	**7,750,223**	**7,701,939**	**7,456,637**
Positions (FTE)	1.00	1.00	1.00	1.00

Program Description

The Capital Improvement budget finances hatchery and wildlife management area facility repairs and improvements. Projects include diking, nesting, and water control, repairs to roads, channels, intakes, and ponds, and installation of bird netting. The program includes a position for clerical support to the Restoration and Enhancement Board, funded by surcharge revenues.

Revenue Sources and Relationships

The Oregon Fisheries Restoration and Enhancement Act of 1989 authorized a surcharge on commercial and recreational licenses and poundage fees to finance fish restoration and enhancement projects. The 1997 Legislature not only extended the sunset of the surcharge for the Restoration and Enhancement Program, but increased the amount of the surcharge from $2 to $5. A portion of the additional revenue generated by the surcharge increase was directed to supplement funding for the Oregon Plan's Watershed Improvement Grant Fund. With passage of Measure 66 dedicating Lottery Funds for the Watershed Improvement Grant Fund, the 1999 Legislature reduced the surcharge to the original $2 per license. Nearly all of the Other Funds expenditures in the Capital Improvement budget are Restoration and Enhancement Board projects.

Budget Environment and Performance Measures

The 1994 Biennial Report on the Status of Wild Fish in Oregon proposed hatchery modifications. Generally, hatchery facilities are aging and need improvements to water supplies and waste water systems. A Hatchery Maintenance Study, completed at the request of the 1993 Legislature, estimated the following maintenance needs - hatcheries, $267.4 million; housing, $17.5 million; and liberation equipment, $1.4 million.

Hatchery maintenance needs continue to grow. The 1989 Legislature created the Fish Endowment Account to partially address hatchery maintenance problems. Interest off of the Fish Endowment Account was directed for use in funding hatchery maintenance projects. A study conducted by the Legislative Fiscal Office for the Joint Legislative Audit Committee during 1999-01 revealed that the Fish Endowment Account had never been used for these purposes.

Governor's Budget

The Governor's recommended budget funds the Capital Improvement program at a total of $7.5 million, down nearly 4% from the 1999-01 level. The recommended budget includes a base budget reduction of $245,302 General Fund for hatchery maintenance. The reduction represents a 53% decline in hatchery maintenance General Fund support. Federal Funds are included in the recommended budget at the current service level and will be used for a variety of projects including maintenance on federal hatcheries.

ODFW – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Federal Funds	5,390,800	8,400,000	5,100,000	5,100,000
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Capital Construction budget is for major construction or acquisition projects. Projects proposed for the 2001-03 biennium are reconstruction of the Willamette Falls Fishway, resurfacing of the Battery A and B ponds at the Bonneville Hatchery, modifications to the Adult Holding / Acclimation ponds at Bonneville, and screening for endangered species fish at the Cascade, Oxbow, Bonneville, and Cole Rivers hatcheries.

Revenue Sources and Relationships

The Capital Construction budget for 2001-03 is entirely funded by Federal Funds.

Governor's Budget

The Capital Construction budget was recommended at the current service level of $5.1 million. The budget anticipates a decrease of $3.3 million in Federal Funds over 1999-01 estimated levels.

Department of Forestry (ODF) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	28,627,313	32,965,849	35,060,008	35,104,352
Lottery Funds	352,557	379,427	377,605	0
Other Funds	101,498,007	128,077,550	129,017,413	152,347,062
Federal Funds	1,576,882	3,166,397	3,565,301	3,565,301
Nonlimited	20,061,011	18,845,245	24,456,032	24,456,032
Total	**152,115,770**	**183,434,468**	**192,476,359**	**215,472,747**
Positions (FTE)	871.28	904.49	903.62	925.51

The Department of Forestry (ODF), directed by the seven-member Governor-appointed State Board of Forestry, is a multi-program, multi-funded agency designed to administer the forest laws and policies of the state. The Department provides a cost-effective system of state and private forest land fire protection, manages state forest lands, and provides stewardship for non-federal forest lands through administration of the Forest Practices Act and provision of forestry assistance. The Department's mission, values, and strategies are included in the *Forestry Program for Oregon,* a comprehensive planning document completed during 1995. During the update of the planning document, the Board adopted five vision statements:

- Healthy forests providing a sustainable flow of goods, services, and values such as water, fish, air, wildlife, and products.
- Land owners willingly making investments to create healthy forests (public and private).
- Broad, statewide coordinated forest resource policy among Oregon's natural resource agencies.
- A Board of Forestry recognized as an impartial deliberative body operating in an open process in the public interest.
- Adequate funding for the Department of Forestry to efficiently and cost-effectively accomplish the mission and objectives of the Board.

ODF – Protection From Fire

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	12,796,931	15,935,982	16,571,055	16,571,055
Other Funds	38,399,191	47,892,208	47,383,554	48,705,139
Nonlimited	4,868,824	4,600,000	7,514,800	7,514,800
Total	**56,064,946**	**68,428,190**	**71,469,409**	**72,790,994**
Positions (FTE)	327.29	333.88	332.87	349.67

Program Description

The Protection From Fire program provides fire protection for nearly 16 million acres of private, state, and federal lands, operates an industrial fire prevention program, and, through the Emergency Fire Cost Committee, finances costs of catastrophic fires. Of the total acreage, 12.1 million is privately owned, 1.2 million is state and local government land, and 2.5 million is federal, mostly Bureau of Land Management (BLM) Western Oregon lands. The total acreage has a current estimated value at risk of approximately $60 billion. The program finances costs for central and field administration, fire suppression crews, facilities maintenance, fire cache, communications, and weather and mapping services. Program services are delivered through 13 forest protection districts including three locally managed Forest Protective Associations. Over one-third of all agency positions are assigned to this program.

The Legislature combined two other program units with the Protection From Fire program in 1995. The four-member Emergency Fire Cost Committee is comprised of forest landowners or their representatives. The committee manages the Oregon Forest Land Protection Fund (OFLPF), which is used to purchase insurance for catastrophic fires and to equalize extraordinary fire costs among forest protection districts. The Cooperative Fire Program provides forest management services to public and private forest landowners through contracts. The purpose is to maintain trained fire suppression personnel through the off-season and to maximize the use of public services through the sharing of resources. Both programs are entirely supported with Other Funds revenue.

Revenue Sources and Relationships

The State's Protection from Fire program is provided in three levels with separate funding mechanisms:

- *Base Protection* – ODF's base protection program is delivered through ten local Forest Protection Districts and three private Forest Protective Associations. Each of the local fire protection units prepares an operating budget for prevention, detection, resource readiness, initial attack, and extra cost deductible. The revenue to support the local budgets comes from a combination of the Public Share Fire Fund (General Fund) and forest patrol assessments on local forest landowners. The assessment system includes more than 291,000 parcels, with and without improvements. The distribution is established in statute as 50% General Fund, 50% landowner assessment. Since each local budget is developed independently, the forest patrol assessments charged against subject landowners vary by district. The assessments are collected by county assessors and are made on a per acre basis with a minimum assessment of $18.00 per lot. Public landowners receive no General Fund match and pay the full cost of fire protection.
- *Emergency Protection* –The purpose of emergency protection is to pay for the excess fire suppression costs of major fires in Oregon. The enabling legislation is based on the belief that the emergency fire suppression costs on forest lands protected by the State Forester need to be equalized so that no single district is required to pay the full amount of fire fighting expenses. Funding for emergency costs is provided through the Oregon Forest Land Protection Fund (OFLPF), administered by the Emergency Fire Cost Committee. The OFLPF essentially serves as an insurance policy for local landowners in each of the fire protection districts. Revenues to support the OFLPF are estimated to be $16.6 million in 2001-03, and are generated from an assortment of landowner assessments and taxes:
    - harvest tax of $0.50 / million board feet (mbf) on all merchantable forest products; the tax is suspended when the reserve base amount of the OFLPF is projected to exceed $15 million ($5.7 million);
    - acreage assessment on all protected forest land ($0.04 per acre for protected western Oregon forestlands, $0.06 per acre for eastern Oregon protected forestland, and $0.06 per acre for all western Oregon class 3 forestlands) ($1.45 million);
    - assessment of $3.00 per lot (out of the $18.00 minimum assessed for forest patrol) ($1.04 million);
    - surcharge of $38.00 for each improved tax lot ($7.95 million); and
    - interest from State Treasurer investments of the fund ($0.51 million).

  The OFLPF reimburses fire suppression costs after a district meets an annual deductible based on protected acreage and a deductible of $25,000 for any one fire or on any one day.
- *Catastrophic Protection* – State law requires the purchase of insurance to cover the fire suppression costs during catastrophic fire situations when expenses could exceed the capacity of the OFLPF. The current insurance policy provides $43 million total insurance with an annual deductible of $10 million and an annual premium of $2.4 million. Also by statute, the landowners' responsibility is limited to $10 million per year, including the cost of insurance premiums and all claims paid to local districts from the OFLPF. Beyond this limit, the cost responsibility falls on the General Fund.

Budget Environment and Performance Measures

Fire suppression efforts and costs are driven by forest health (insect and disease damage) and weather (drought and lightning storms) and cannot be predicted with certainty. Over 7.5 million acres of forestland in eastern and southern Oregon are suffering from poor forest health and remain untreated. The last decade of drought has affected much of Oregon's forests. In addition, the siting of dwellings and other improvements on forestlands continues to increase the challenges to fire managers and large areas of the state have no fire protection coverage. Fires originating on these unprotected lands can be a threat to protected forestlands and communities. Federal budget cuts and local resource constraints have also decreased existing wildfire protection levels by reducing fire fighting resources and revenues.

The Protection From Fire program tracks performance in terms of fire prevention / suppression and smoke management with a variety of performance measures. To demonstrate the program's initial attack effectiveness, a measure is tracked on the percentage of fires controlled at 10 acres or less; over the past decade the percentage has ranged from a low of 94.5% in 1990 to a high of 97.3% in 1995 with 95.2% in 1999. The effectiveness of the program in preventing fires is measured by the number of human caused fires per capita; this measure has ranged from a low of .08 in 1993 to a high of 0.70 in 1995 with a value of 0.25 in 1999. The efficiency of districts in managing the cost of large fires is measured by an average fire size index; the index has trended upward over the past 3 years due to increased costs associated with fire season severity and the number of acres burned. Smoke management effectiveness is monitored by measuring the number of prescribed burn impacts on wilderness areas, the percentage above or below the emission reduction goal, and the percentage of units burned versus units registered in restricted areas. For each measure, the performance is consistently above the goal.

Governor's Budget

The Governor's recommended budget of $72.8 million is a 6.4% increase over the 1999-01 estimated expenditures, but only 1.8% higher than the current service level. Most of the increase from the prior biennium is due to higher nonlimited expenditures to reflect payments to districts for fire fighting cost reimbursement. The recommended budget continues the Protection From Fire assessment program at the statutorily-required 50:50 distribution between the General Fund and private forest landowners. Between 1991 and 1999, the Legislature had approved a 45:55 split each biennium to reduce the amount of General Fund needed to operate the program. The recommended budget includes a total of $16.6 million General Fund, which funds the program at current service levels.

Two program enhancements are included in the Governor's proposal. An increase of $220,000 Other Funds expenditure limitation is added to enable the program to fully utilize federal grant funds received from the U.S. Forest Service (Federal Funds as Other Funds). This funding source is used to develop new fire program technologies, improve agency operations, and assist local fire districts. In an effort to reach the Most Efficient Level (MEL) of fire protection, the recommended budget also includes the addition of 45 positions (16.80 FTE) to allow field districts the ability to hire full-time employees to perform emergency and non-emergency fire suppression activities in conjunction with the Department of Transportation (ODOT). Currently, the fire program uses seasonal positions between late spring and late fall each year for emergency fire protection needs. ODOT has funding for emergency and non-emergency work that is conducted between late fall and early spring. By combining the functions, the state could provide full-time employment oppportunities rather than seasonal work. Both agencies would receive recruitment, retention, and training benefits. Funding would be provided by ODOT to the Cooperative Fire program on a contract basis at an estimated cost of $1.1 million Other Funds.

ODF – State Forest Management

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	42,833,679	45,421,411	56,273,159	57,008,731
Positions (FTE)	233.73	254.44	253.78	256.06

Program Description

The State Forest Management Program manages 786,000 acres of state forestlands on behalf of counties and the Common School Fund. The Board of Forestry owns nearly 85% (654,000) of these acres, including the five state forests (Tillamook, Clatsop, Santiam, Sun Pass, and Elliott). Counties transferred the title to these lands to the Board of Forestry in the 1930s and 1940s. The remaining 132,000 acres are the Common School Lands, which are managed by ODF under contract for the State Land Board. The primary goal of the program is to provide for healthy, productive, and sustainable forests through active management that will produce sustainable timber and revenue on Board of Forestry lands and maximize revenue over the long term on Common School Lands.

The Department participates in a cooperative tree improvement effort with other major landowners to increase the yield and quality of forest products. The State Forest Management Program also operates the J.E Schroeder Seed Orchard to provide improved tree seed for planting on state land, on non-industrial landowner properties, and on 13 industrial lands whose owners share orchard expenditures.

Revenue Sources and Relationships

The State Forest Management Program is entirely self-financed from timber sales and the sale of special forest products. The Department retains 36.25% of timber sales for management of the county trust lands. The remaining 63.8% is distributed to the counties and local taxing districts where the forestland is located. ODF projects the state's share of timber sales to be $33-40 million for 2001-03. The agency is reimbursed for Common School Fund land management costs and the remaining revenue goes to the Common School Fund. Management costs are approved by both the Board of Forestry and the State Land Board. Board of Forestry lands are expected to generate $79 million for counties and local taxing districts, and timber sales from Common School Fund lands will generate $42 million in revenue during the 2001-03 biennium. Management costs on the CSF lands are proposed in the budget at slightly over $11 million for 2001-03.

Budget Environment and Performance Measures

The level of forest management on county trust lands is dependent on timber receipts. The Department must be careful to meet the statutory and constitutional fiduciary responsibilities through timber harvests while protecting and making available the other forest values. The program will plant 9,300 acres with appropriate tree species and genetic sources of tree seed, fertilize and prune 9,800 acres, conduct regeneration harvest on 7,000 acres, and commercially thin or partially harvest 29,700 acres during the 2001-03 biennium. The agency projects a relatively stable timber market during the 2001-03 biennium.

The Department uses performance measures to monitor activities in the management of state owned forests and the seed orchard. Program effectiveness in reaching timber sales plan objectives is measured by comparing the volume of timber sold to the volume planned for sale. After tracking at nearly 100% levels between 1991 and 1995, the measure slipped to 59% for the 1995-97 biennium, but has trended upward since reaching 92% in fiscal year 1999. Accomplishment of reforestation plan objectives is also tracked by comparing the actual number of acres reforested to the plan. After hitting a low of 78% in the 1995-97 biennium, performance has increased to 99% in fiscal year 1999. The program also tracks the costs of timber sale preparation and administration, the costs of annual reforestation, and the costs of intensive management practices on the state's forestland. The recent transition to structure based management has slightly increased the costs of sale preparation, which have risen to above the goal in the past two fiscal years, but reforestation and intensive management practice costs have declined between 1997 and 1999. The seed orchard program measures effectiveness by tracking the number of pounds of seeds meeting quality standards and the cost per pound of seed produced that meet those standards. With the exception of 1998, the number of pounds produced has consistently met or exceeded the goal, while the cost per pound has maintained a stable to downward trend line.

Governor's Budget

The Governor's recommended budget of $57 million Other Funds is a 26% increase over the 1999-01 estimated expenditure level, but only a 1% increase over the current service level. The reason for the substantial increase over the prior biennium is a reduction of $9 million, or 16%, between the 1999-01 approved budget and the actual expenditures. The recommended budget includes the addition of 3 positions (2.33 FTE) including 2 Natural Resource Specialist 2 positions and a part-time Laborer 2 to conduct watershed assessments and analysis necessary for the implementation of the Northwest and Southwest Oregon State Forest Management Plans. The positions and assessment work is funded with $736,000 Other Funds from a combination of Forest Development Fund revenue (97%) and Common School Fund revenue (3%).

The recommended budget also supports a legislative concept that would permit the Forest Development Fund to retain interest earnings within the Fund. Under current law, all Fund interest earnings are deposited in the General Fund. If approved, the change would not take effect until the 2003-05 biennium and would result in a projected $4 million to $5 million loss in General Fund revenue.

ODF – Forest Practices

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	8,105,242	7,379,253	7,950,231	8,664,575
Lottery Funds	0	379,427	377,605	0
Other Funds	4,592,238	6,437,199	6,431,704	6,628,546
Federal Funds	97,074	112,451	104,078	104,078
Total	**12,794,554**	**14,308,330**	**14,863,618**	**15,397,199**
Positions (FTE)	97.00	103.12	103.28	106.92

Program Description

The Forest Practices Act, initiated in 1971, regulates timber harvesting and reforestation on 12.3 million acres of private, state, and county owned forest lands. The statutory objective is the promotion of forest management practices consistent with sound management of soil, air, water, fish and wildlife resources. The program's goals are to ensure the continuous growing and harvesting of forest tree species is maintained as the leading use of privately owned forestland, and to ensure forest practices are consistent with the sound management of soil, air, water, fish and wildlife resources. The Forest Practices Act has been revised each legislative session since 1979, including major amendments in 1987 and 1991 to change the requirements governing stream protection, clear-cuts, reforestation, and scenic highway corridors. Senate Bill 12 (1999) provided additional authority for the Department to adopt rules to reduce public safety risks from rapidly moving landslides. Staffing includes 53 forest practice foresters across the state who review harvest plans and inspect operations for compliance. The Forest Practices program is also responsible for the Smoke Management/Fuels program, which regulates prescribed burning on all forestlands in Oregon in compliance with federal and state air quality standards.

Revenue Sources and Relationships

The Forest Practices program is funded by a combination of 60% General Fund and 40% Forest Products Harvest Tax (FPHT). The harvest tax rate is set in statute each biennium once the Forest Practices program budget is finalized, based on projections of harvest levels and the amount of revenue needed for program operations. The Smoke Management/Fuels program is funded by registration and burning fees collected from landowners (87%), contractual payments from other government agencies (12%), and landowner assessments (1%). In the 1999-01 biennium, the program received Lottery Funds from Measure 66 for completion of work associated with the Steelhead Supplement to the Oregon Plan. The Lottery Fund support for these activities is shifted to General Fund in the Governor's recommended budget.

Budget Environment and Performance Measures

Forest Practices workload has steadily increased as cutting on private lands accelerated due, at least in part, to federal supply cutbacks and increased timber values. Until 1988, "notices of operations" (intent to log) averaged about 10,000 annually. For the 2001-03 biennium, the Department anticipates processing over 19,000 notifications of operations per year, plus reviewing and approving 3,000 written plans describing operating methods on sensitive sites, and conducting more than 17,000 on-site inspections for pre-operation planning, active operations, and reforestation auditing. Other factors affecting the Forest Practices program include continued implementation of the Oregon Plan; participation in the Healthy Streams Partnership; implementation of programs to address public concern about landslides on forestland, clearcutting, and the use of pesticides; increased workload necessary to achieve reforestation and "free to grow" status; and determination of appropriate responses to federal government actions and policies on endangered species and clean water programs.

Performance in the Forest Practices program is measured in terms of operator contacts per program FTE, percent compliance of operations inspected, and percent of harvested acres in compliance with reforestation standards. After peaking in 1993 with 355 operator contacts per FTE, the measure has steadily declined to 195 in 1998, slightly under the goal. Compliance by operators has maintained a fairly constant percentage between the goal of 96.5% and the peak of 98% recorded in 1998. The percentage of acres voluntarily reforested according to regional stocking standards out of the total acres that are harvested has increased from a low point of 94% in 1993 to above 99% in 1997, declining marginally in 1998.

Governor's Budget

The Governor's recommended budget of $15.4 million is a 7.7% increase from 1999-01 estimated expenditures and a gain of 3.4% from the current service level. The recommended budget includes $8.7 million General Fund, an increase of 17.3% from the prior biennium. The General Fund increase is due to two changes in the proposed budget:

- Base budget activities related to the Steelhead Supplement of the Oregon Plan are shifted from Lottery Funds (Measure 66) to General Fund at the current service level. The fund shift increases the program's General Fund appropriation by approximately $419,000, eliminates all Lottery Funds from the program, and restores 0.64 FTE eliminated from 4 existing seasonal positions due to a projected Lottery Fund revenue shortfall.
- A combination of General Fund ($295,000) and Other Funds ($197,000) is included in the recommended budget for additional Oregon Plan implementation. The enhancement adds 3 riparian specialists (Natural Resource Specialist 3s) to assist landowners in developing management prescriptions for riparian areas and to implement restoration actions during the management process. The additional riparian assistance was recommended by the Forest Practices Advisory Committee. The Other Funds revenue source is not specified.

ODF – Forestry Assistance

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,362,144	1,272,120	1,381,989	711,989
Lottery Funds	352,557	0	0	0
Other Funds	1,336,546	1,814,055	3,363,728	3,813,728
Federal Funds	**1,479,808**	**2,969,097**	**3,381,820**	**3,381,820**
Total	4,531,055	6,055,272	8,127,537	7,907,537
Positions (FTE)	40.05	38.84	39.02	37.52

Program Description

The Forestry Assistance program's primary objective is to provide forest landowners and managers with the information, incentives, services, and assistance needed to encourage a voluntary investment in their forest land beyond the required standards. Oregon has approximately 166,000 non-industrial private forest landowners (NIPFLO) and community forest managers owning a combined 4.5 million acres. Nearly 52,000 of these landowners own and manage at least 10 acres of forestlands. This acreage includes critical habitat for salmon and other fish and wildlife species and has the potential for increased harvest productivity. Forestry Assistance consists of three sub-programs:

- ***Service Forestry*** provides technical and financial assistance to non-industrial private landowners on multiple resource management, forest property tax policies and options, federal cost-share programs, the Forest Resource Trust, and insect and disease prevention.
- ***Forest Health*** surveys, evaluates, and monitors forest insects and diseases, and provides information, education, and advice on integrated pest management practices for non-federal forest landowners.
- ***Community Forestry*** provides leadership and technical services to support the stewardship of the state's urban and community forests.

Revenue Sources and Relationships

The Forestry Assistance program receives support from a number of revenue sources. General Fund is provided for insect and disease activities, including integrated pest management services, and is used to conduct annual aerial surveys, provide forest pest data and maps, and deliver technical assistance for forest landowners. General Fund is also used to provide a match to Harvest Tax resources on a 50:50 basis. Federal Funds are provided by the U.S. Forest Service under a consolidated grant program for forest resource management, forest stewardship, and forest insect and diseases management. The federal funding for these programs require a 50% state match. Federal funding is also provided for Community Forestry and Forest Health monitoring activities. Other Funds revenues are received from Privilege Tax resources for administration of the Western Oregon Small Tract Optional Tax (WOSTOT) and the 30% Reforestation Tax Credit Program. Harvest Tax revenues are used to provide general information and technical assistance to family forestland owners for improvement of forest health and salmon habitat. The program also receives private donations, including the Forest Resource Trust funds and Community Forest donations for specific projects.

Budget Environment and Performance Measures

Forest health remains a critical issue for the state's economy. About 8.2 million acres of Oregon's forests have been affected by drought, insects, disease, and fire. The state loses about 1.6 billion board feet of timber every year to insects and disease. Forest managers are concerned about declines in the coastal Douglas-fir forests due to needle diseases, nutrient deficiencies, and weather factors. Dead and dying forests in Eastern Oregon due to past insect infestation need treatment in order to reduce fire hazards and replenish the forest stocks. Many wild salmon and trout populations have declined to all-time low numbers. Assistance is also needed for over 166,000 non-industrial private forest land owners regarding the potential listing of threatened and endangered species. Approximately 783,000 acres of family forestlands are classified as underproducing or without a manageable stand of trees.

Performance in the Forestry Assistance program is monitored by a variety of measures tracking accomplishment of objectives and staff output. In the Insect and Disease sub-program, the agency tracks the percentage of annual acres actually surveyed compared to planned surveys. The measure uses 12.8 million non-federal forested acres as the base. Surveyed acres have exceeded the base in every year since 1992, peaking at 170% of the base in 1999. A second measure, acres surveyed per FTE, basically follows the same trend with a peak of nearly 12,000 acres in 1999. Performance in the Community Forestry sub-program is measured by the percentages of cities and organizations receiving assistance from the agency and local fund match leveraged by the program's grant awards. Since the early 1990s, the program has consistently provided assistance to at least 30% of all cities and eligible organizations, above the goal of 25%; in 1999, the program provided assistance to 39% of all cities and organizations. The program has also demonstrated effectiveness in distributing Federal Funds to leverage local match for community forestry projects. The Service Forestry sub-program tracks the percentage of management plan and treatment objectives accomplished compared to planned objectives. The program tracks accomplishments in major workload areas including management planning, conversion of underproductive forestlands, and timber stand improvements. Since 1996, all workload areas have displayed stable or increasing levels of productivity.

Governor's Budget

The Governor's recommended budget of $7.9 million represents a decrease of approximately 3% from the current service level and a reduction of 1.50 FTE. General Fund is reduced from $1.3 million in the 1999-01 budget to $0.7 million in the recommended budget. The reduction is the result of a proposed fund shift in the Forest Health program to use Harvest Tax revenues instead of General Fund. The shift uses $0.10 per thousand board feet of the harvest tax, which equals approximately $450,000. The use of the harvest tax revenues do not fully restore a General Fund reduction included in the proposed budget of $670,000 resulting in the elimination of 2 positions. The reduction was made as part of the overall effort to fund other priorities of the Governor in the recommended budget.

ODF – Agency Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	6,279,356	8,292,512	9,068,601	9,068,601
Other Funds	6,880,965	11,402,724	12,267,305	12,399,455
Federal Funds	0	84,849	79,403	79,403
Total	**13,160,321**	**19,780,085**	**21,415,309**	**21,547,459**
Positions (FTE)	82.34	83.34	84.31	84.98

Program Description

Agency Administration includes the State Forester's office and traditional support functions such as finance, property management, personnel, computer services, and public information. Agency Administration is also responsible for policy development, forest resource analysis and planning, administration of the log brand inspection program, land use planning coordination, and facilities maintenance.

Revenue Sources and Relationships

Agency Administration is funded by the General Fund and Other Funds assessed against agency programs on a pro-rated basis by funding source, such as the State Forests Account and Forest Products Harvest Tax. The program also receives a small amount of revenue from fees charged for services and map sales.

Budget Environment and Performance Measures

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 the Oregon Plan and the development of state forest management plans.

The program measures performance by tracking passenger vehicle equipment usage costs and utilization rates, affirmative action progress in hiring women and minorities, permanent staff with individual training plans in place, workforce turnover, and the numbers of preventable safety incidents.

Governor's Budget

The Governor's recommended budget of $21.5 million for the Agency Administration program is a 9% increase from the 1999-01 estimated expenditures, but only 1% above the current service level. The recommended budget includes $9.1 million General Fund, 10% more than appropriated in 1999-01. The increase is primarily due to a $1.1 million base budget adjustment for debt service related to capital construction projects previously approved. The recommended budget includes the addition of a Facilities Construction Inspector position (1 FTE) to work with field offices and construction crews in reviewing building plans and scheduling facility improvement projects. The position is funded with $132,000 Other Funds from State Forest Management program revenues.

ODF – Forest Nursery Program (Nonlimited)

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	6,237,263	5,802,823	6,329,604	6,329,604
Positions (FTE)	60.08	60.08	59.57	59.57

Program Description

The Department's D.L. Phipps Nursery provides quality, genetically adapted, tree seedlings to forest landowners for public and private reforestation. Currently about 50% of the nursery's annual production goes to nonindustrial woodland owners, 28% to the forest products industry, 12% to state forests, and 10% to the Bureau of Land Management. The agency has operated the nursery for over 74 years.

Revenue Sources and Relationships

Expenditures for the nursery program are nonlimited and financed 100% from sales of seedlings and service charges. Fees charged by the Nursery change depending upon costs.

Budget Environment and Performance Measures

The Forest Nursery Program operates on a business model and adjusts expenditure levels to available revenue. The nursery must maintain an adequate supply of clean water for irrigation of seed crops and is subject to the requirements of the Umpqua Watershed Agricultural Water Quality Management Plan.

The Nursery Program monitors performance through measures that track the price of nursery seedlings and the number of seed zones/elevations/stock types that the nursery is able to provide seedlings.

Governor's Budget

The Governor's recommended budget funds the Nursery Program at the current service level, $6.3 million Other Funds. The recommended amount is an increase of nearly 9% from 1999-01 estimated expenditures.

ODF – Equipment Pool Program (Nonlimited)

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	8,954,924	8,442,422	10,611,628	10,611,628
Positions (FTE)	30.79	30.79	30.79	30.79

Program Description

The Department's Equipment Pool program operates a motor pool and a radio pool. The motor pool manages 525 vehicles and other pieces of equipment including airplanes, pickups, trailers, and heavy equipment. The radio pool supports and maintains 3,000 pieces of major communication equipment. The radio pool provides the equipment and support for the Department's radio communication network and serves other agencies, such as the Departments of Agriculture, Parks and Recreation, Fish and Wildlife, Water Resources, Justice, Corrections, and the State Fair.

Revenue Sources and Relationships

Expenditures for the Equipment Pool are nonlimited and financed 100% from fees charged to equipment pool users.

Budget Environment and Performance Measures

Motor pool operations are affected by changes in fuel prices. The radio pool is affected by changing telecommunications technology requiring new strategies to provide the most efficient and effective exchange of information.

The program measure performance by tracking passenger vehicle utilization rates, passenger vehicle equipment usage costs, and the number of radio units repaired compared to units in preventive maintenance.

Governor's Budget

The Governor's recommended budget funds the Equipment Pool at the current service level.

ODF – Capital Improvements

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	83,640	85,982	88,132	88,132
Other Funds	705,388	2,806,715	3,297,963	3,791,463
Total	**789,028**	**2,892,697**	**3,386,095**	**3,879,595**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Department owns and maintains 395 structures statewide. Examples include mountaintop lookout facilities, fuel facilities, remote guard stations, district and unit offices, seed and seedling processing facilities, and automotive maintenance shops. Many buildings need interior and exterior improvement or major construction because of age, type of construction, and growth of the agency.

Revenue Sources and Relationships

Generally costs are prorated among the funding sources of the programs that occupy the specific facility. General Fund is provided as the public share match money for projects funded in the Protection From Fire program.

Budget Environment and Performance Measures

Many of the Department's structures were built in the 1930s, 40s and 50s, and are in need of renovation to prevent further deterioration and to meet new standards such as the Americans with Disabilities Act requirements. An architectural feasibility study of the Salem Headquarters site was completed during the 1993-95 biennium. 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. The plan envisions a mix of remodeled and new construction, which preserves sites listed on the National Register of Historic Places and consolidates departmental operations.

The agency has no reported performance measures for the Capital Improvements program.

Governor's Budget

The Governor's recommended budget of $3.9 million for capital improvement projects represents an increase of 34% from 1999-01 estimated expenditures and an increase of 15% from the current service level. Projects covered within the current service level budget include various park improvements, property exchanges, storage expansions, fuel station relocations, foundation upgrades, office additions, and warehouse construction. The recommended budget includes approval of 3 additional projects that do not require any additional General Fund contribution. These projects include HVAC installation and plumbing upgrades at the Salem Compound Building 1 ($477,500), paving of a parking lot at the Northwest Oregon Area District office ($10,000), and development of a recreational vehicle dump station at the South Fork Camp ($6,000).

ODF – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	6,750,000	12,303,238	0	20,000,000
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Department's Long-Range Facilities Management Plan 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 construction needs to meet workload projections at each site. The Department works with the Capital Projects Advisory Board for review of the agency's space needs and maintenance needs.

Revenue Sources and Relationships

Capital construction projects are funded through certificates of participation (COPs) and Other Funds generated from the State Forest Management program.

Governor's Budget

The Governor's recommended budget provides Other Funds expenditure limitation of $20 million for capital construction projects in the 2001-03 biennium. The two projects approved for development in the recommended budget include the Tillamook Forest Interpretive Center and the Tillamook District Headquarters construction. The initial design work for the Tillamook Forest Interpretive Center was approved by the 1999 Legislature. The next phase is completion of design work and construction of the Center. The recommended budget includes $13.5 million Other Funds for construction of a 30,000 square foot main building to serve as the hub for a network of trail systems in the Tillamook Forest. The source of revenue for the project is listed as gifts, grants, and donations from public and private sources. Construction of the Tillamook District Headquarters building is included in the recommended budget using $3.5 million Other Funds from State Forest revenues. The project involves the production of final construction drawings and construction of 3 new buildings, including a new administrative office building, vehicle shelter, and warehouse.

The Governor's recommended budget does not include financial support for the final phase of the Salem Compound construction project. The project was initiated in the 1997-99 biennium with Phase 1 work completed with $6.7 million Other Funds from COPs. Debt service and financing costs for the COPs was prorated among all major funding sources of the agency. Phase 2 construction was approved by the 1999 Legislature and included construction of the two main compound buildings, the Public Service Building and the Operations Building. Funding for Phase 2 was authorized through the sale of COPs scheduled for January 2001. Project completion was requested by the agency for the 2001-03 biennium to address additional construction costs and certain required site development changes to respond to new information on foundation needs, flood plain requirements, seismic protection costs, parking improvements, and fire protection water delivery systems. Funding was requested through an additional COP sale in the amount of $1.5 million planned for August 2001. Since the sale would require additional General Fund debt service, the proposal was not included in the Governor's recommended budget.

Department of Geology and Mineral Industries (DOGAMI) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,733,256	3,243,976	3,307,783	3,307,783
Other Funds	2,058,624	2,533,283	2,642,200	2,642,200
Federal Funds	2,989,545	1,554,569	1,657,569	1,657,569
Nonlimited	6,717	100,000	100,000	100,000
Total	**7,788,142**	**7,431,828**	**7,707,552**	**7,707,552**
Positions (FTE)	34.65	36.38	35.38	35.38

The Department of Geology and Mineral Industries (DOGAMI) is the state's primary source of geologic information. DOGAMI gathers data and maps the state's geology including geologic minerals and hazards. The Department attempts to reduce the risks of damage from earthquakes, tsunamis, floods, landslides, and coastal hazards. The agency is also responsible for administering surface mining regulations. Department headquarters are located in Portland with the Mined Land Reclamation unit sited in Albany. Two small Geologic Survey offices are located in Baker City and Grants Pass. The agency opened a coastal field office in Newport during the 1999-01 biennium. Employees of the Department are primarily geologists. Funding is from multiple sources including the General Fund, grants from federal and other state agencies, and fees. Agency clients include the mining industry, general public, and various state and local agencies that use geologic information.

DOGAMI – Geologic Investigations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,318,401	1,855,515	1,844,920	1,844,920
Other Funds	341,851	358,229	388,032	388,032
Federal Funds	2,620,105	1,167,273	1,254,127	1,254,127
Total	**4,280,357**	**3,381,017**	**3,487,079**	**3,487,079**
Positions (FTE)	13.88	15.88	14.88	14.88

Program Description

The Geologic Investigations unit gathers geologic data and maps mineral resources and hazards. Earthquake preparedness and tsunami hazard mapping receive a high priority. Geographic areas needing tsunami hazard mapping, ground response studies, and earthquake risk mapping have been prioritized by the agency. The information is shared with state and local policy-makers for land use planning, facility siting, building code and zoning changes, and emergency planning. The current emphasis is on quadrangle geologic mapping at a scale of 1:24,000. The Department uses economic demand modeling for aggregate materials to guide conservation and production of the resource. The Geologic Investigations program also regulates oil, natural gas, and geothermal exploration and extraction.

Revenue Sources and Relationships

Federal Funds accounted for 35% of the total Geologic Investigations' budget in 1999-01. The unusually high amount of federal funding in 1997-99 was due to two FEMA grants totaling $1.6 million for metro seismic ground response evaluation and seismic retrofit for Weatherford Hall at Oregon State University. Federal Funds are expected to be approximately 35% of the Geologic Investigations total budget during 2001-03, an amount comparable to historical levels. The U.S. Geologic Survey, U.S. Bureau of Land Management, Federal Emergency Management Agency, National Oceanic and Atmospheric Administration, and other federal bureaus provide Federal Funds. Federal funding often requires matching General Fund. Other Funds are received from oil, gas, and geothermal well permit fees and from charges for services on reimbursable projects.

Budget Environment and Performance Measures

Two of the agency's major goals are to reduce losses from geologic hazards and to inventory the state's mineral and water resources. The basis for hazard mitigation planning is data collection and the development of ground response models. Funding limitations have restricted data collection and modeling functions, adversely affecting the agency's ability to provide hazard mitigation information and analysis for local communities. Concern over coastal hazards led the 1999 Legislative Assembly to approve the addition of one permanent and one limited duration position and the establishment of a coastal field office. The new positions were directed to assist with defining hazard zones and helping coastal communities with hazard awareness, preparation, and mitigation. The agency was also directed to provide help to local governments with mapping and technical assistance needs in identifying landslide hazards.

The agency measures performance in the Geologic Investigations program primarily by tracking the availability and coverage of mapping and models throughout the state. The program's performance measures include:

- Percent of needed high resolution geologic quadrangles in place and accessible to the public. The agency estimates 538 such maps are needed out of 1,911 total possible maps for Oregon; approximately 47% are completed, an increase from 30% in 1990.
- Percent of needed 1:100k sheets or equivalent maps in place and accessible to the public. The 1:100k detail is a new measure since an option previously existed for 1:250k and 1:500k maps; all areas of the state need the 1:100k level of mapping; approximately 7% of the maps are available, an increase from 0% in 1990.
- Percent of target coast communities with tsunami models and mitigation plans. The agency estimates 19 communities need delineation and mitigation plans; currently 80% of the communities have completed delineation and 70% have accompanying mitigation plans, an increase from 0% in 1995.
- Percent of target communities with landslide maps and mitigation plans. An estimated 55 communities need landslide data and plans; currently 50% of the communities have completed delineation and 42% have accompanying mitigation plans, an increase from 5% in 1990.
- Percent of target communities with ground response maps and mitigation plans. All communities with population over 5,000 need such studies; of the estimated 83 communities identified as meeting the criteria, 90% have completed data delineation with 50% having developed mitigation plans, an increase from 0% in 1990.
- Percent of mineral resource and ground water geology studies and advice completed. The agency estimates that approximately 60% of the necessary studies are completed, an increase from 25% in 1975.

An additional performance to measure the percentage of targeted buildings needing rehabilitation to protect from earthquake damage that have actually received rehabilitation is under development by the Department.

Governor's Budget

The Governor's recommended budget for the Geologic Investigations program is funded at the current service level, which is approximately 3% above the 1999-01 estimated expenditures. The recommended budget reflects a slight decrease in General Fund due to the elimination of the landslide specialist position authorized as limited duration for the 1999-01 biennium with passage of Senate Bill 12 dealing with landslide issues. The Governor's recommended budget assumes work related to landslides was completed during the 1999-01 biennium and that the SB 12 funding was authorized as a one-time expenditure. Most of the program's 2001-03 proposed budgetary increase from the 1999-01 level is due to higher anticipated receipts of federal funding for reimbursable projects.

DOGAMI – Mined Land Reclamation

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	1,037,601	1,225,738	1,295,884	1,295,884
Federal Funds	131,868	212,265	226,642	226,642
Nonlimited	6,717	100,000	100,000	100,000
Total	**1,176,186**	**1,538,003**	**1,622,526**	**1,622,526**
Positions (FTE)	8.77	8.50	8.50	8.50

Program Description

The Mined Land Reclamation program provides oversight and regulation for approximately 6,100 acres of surface mining activities and chemical leach mines in Oregon. The program's purpose is to provide for beneficial uses of the land after the mining use has terminated. The objectives are to conserve the mineral resource and protect the environment while providing for the economic uses of the mined materials. The program has reclaimed 3,000 acres once dedicated to mining since the program was initiated in 1972. The agency has the legal authority to perform reclamation in default situations. Nearly 6,000 acres were under bonding or some alternative security as of July 1, 2000.

Revenue Sources and Relationships

The program is financed primarily from Other Funds derived from aggregate and mine permit fees. For metal and chemical process mining operations, the program bills for actual costs of regulation on a reimbursable basis. Federal Funds from the Environmental Protection Agency (EPA) finance a tri-state training program on mining regulation. It is anticipated the EPA grant of approximately $200,000 will continue into the 2001-03 biennium. Nonlimited expenditures represent reclamation work financed from forfeited bonds and security deposits.

Budget Environment and Performance Measures

The Mined Land Reclamation program currently administers 816 active mining permits. The program is also responsible for implementation of the federal Clean Water Act's General Stormwater Permits and the state's Water Pollution Control Facility Permits at aggregate sites under an inter-agency agreement with the Department of Environmental Quality. The program currently administers 201 permits under the federal and state water pollution laws.

Performance is measured in the Mined Land Reclamation program primarily through output measures. The program tracks the number of acres reclaimed by mining and drilling; through July 2000, a total of 3,411 acres of surface mines and 415 acres from drilling had been reclaimed under the guidance of the program, an increase from a combined total of 3,500 acres in 1997. The number of mine sites and mine site visits by program staff are also tracked; approximately 800 sites are operating with a goal of visiting approximately 35% of the sites every six months; for the latest six month period, staff completed 457 site visits, or 63% above the goal. The number of acres actively mined and under agency regulation is estimated at 6,575, up from slightly over 6,000 acres in 1997.

Governor's Budget

The Governor's recommended budget for the Mined Land Reclamation program continues all existing activities at the current service level. The total proposed 2001-03 budget is a 5.5% increase from the 1999-01 estimated expenditures. The recommended budget includes no proposed fee changes or revenue enhancements.

DOGAMI – Technical Support and Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,414,855	1,388,461	1,462,863	1,462,863
Other Funds	679,172	949,316	958,284	958,284
Federal Funds	237,572	175,031	176,800	176,800
Total	**2,331,599**	**2,512,808**	**2,597,947**	**2,597,947**
Positions (FTE)	12.00	12.00	12.00	12.00

Program Description

The Technical Support and Administration program provides agency policy direction; performs clerical and fiscal functions; maintains a specialized geologic library; publishes maps and reports; conducts public education and outreach; and disseminates technical information through publications and a web site. The section also operates the Nature of the Northwest Information Center. The Center is a one-stop shopping center for resource publications for DOGAMI and other natural resource agencies.

Revenue Sources and Relationships

The majority of program funding derives from the General Fund. Other Funds revenue sources include indirect cost recoveries from federal and other funded programs using standardized overhead rates, receipts from publication sales, and other reimbursable projects. Federal Funds are primarily received from the Federal Emergency Management Agency for mitigation inventory work and from the U.S. Geological Survey for earthquake assessments and mapping activities.

Budget Environment and Performance Measures

The Nature of the Northwest Information Center is located on the first floor of the Portland State Office Building. The Center was originally funded through a loan from the Productivity Fund as an attempt to provide public information services for approximately 12 federal, state, and local natural resource agencies. The Center provides public access to a variety of maps, brochures, books, and other materials. In addition, the Center serves as an in-person focal point for inquiries from the general public. On an average day, the Center receives 50 calls, 35 customer walk-ins, 35 mail requests, and increasing numbers of Internet queries. If the services were not provided at the Center, each participating agency would need to respond directly to requests from the public for maps, brochures, books, and information. For the 1999-01 biennium through September 2000, the Center was running a slight deficit with total expenditures of $168,000 exceeding income of $154,000.

Performance in the Technical Support and Administration program is measured by the level of public awareness on key geologic issues determined by polling results before and after outreach efforts by the agency. Eleven different measures tracking education levels of the public are used by the agency such as the percentages of schools with earthquake safety plans, people who think they know the local evacuation route in case of a tsunami, people who associate “tsunami” with “tidal wave”, and customers satisfied with the information center. Most measures show between 80% and 90% public awareness. Measurement is sporadic since polling only occurs before and after outreach efforts are conducted. In 1999, the lowest response occurred when only 51% of the public polled felt they knew the local tsunami evacuation route.

Governor’s Budget

The Governor’s recommended budget for the Technical Support and Administration program continues all activities at the current service level of $2.6 million. The recommended budget includes $1.5 million General Fund, a 5.3% increase from 1999-01 levels. The total recommended budget is 3.4% higher than the 1999-01 estimated expenditures.

Department of Land Conservation and Development (DLCD) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	8,465,726	9,508,514	10,062,082	10,988,438
Other Funds	1,614,948	2,385,133	3,064,078	1,629,836
Federal Funds	2,806,354	4,270,295	4,558,509	4,251,368
Total	**12,887,028**	**16,163,942**	**17,684,669**	**16,869,642**
Positions (FTE)	61.25	63.58	63.08	63.00

The Department of Land Conservation and Development (DLCD) manages Oregon's statewide land use planning system in order to protect the state's quality of life. The goals of the Department include fostering orderly development, maintaining a clear and predictable planning system, conserving farm and forest lands, reducing the costs of public facilities and services, ensuring efficient transportation systems, protecting environmental, historic, and cultural resources, and providing citizens an opportunity to be involved in community planning.

The seven-member Land Conservation and Development Commission (LCDC), assisted by DLCD, adopts state land use goals, assures local plan compliance with the goals, coordinates state and local planning, and manages the coastal zone program. Oregon's land use planning system is based on a set of 19 statewide planning goals. The goals express the state's policies on land use and related topics, such as citizen involvement, housing, and natural resources. The planning program is a partnership between state and local governments and relies on achievement of the planning goals through local comprehensive planning efforts.

DLCD carries out the state planning responsibilities through the processes of land use plan acknowledgment, plan amendment review, and periodic review. State law requires each city and county to have a comprehensive plan and the zoning and ordinances necessary to implement the plan. When LCDC officially approves the local government plan, the plan is "acknowledged." After acknowledgment, local plans can be changed through plan amendments, which are small, unscheduled changes, or through periodic review. Periodic review is a broad evaluation of the entire local plan and occurs every four to ten years. Periodic review can lead to extensive modification of a plan or to minor adjustments as a way of accommodating changing conditions in the area. The Department implements the state land use planning laws and assists local governments through three major programs, Operations, Grants, and Landowner Notification.

DLCD – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	5,853,648	6,135,540	6,647,466	7,449,118
Other Funds	1,391,515	2,297,083	2,862,702	1,428,460
Federal Funds	2,375,705	3,784,579	4,060,650	3,753,509
Total	**9,620,868**	**12,217,202**	**13,570,818**	**12,631,087**
Positions (FTE)	61.00	63.08	63.08	62.00

Program Description

The Operations Program has six main functions: to ensure that 277 local comprehensive plans are in compliance with state planning goals; coordinate plans of cities and counties throughout the state; coordinate state programs that affect land use; manage the coastal zone management program; operate the ocean resource planning program; and operate the regional development program. The Department also operates several special programs such as floodplain management, dispute resolution, and transportation and growth management.

The Operations program includes the Office of the Director, the Administrative Services and Human Resource Division, and four major program areas (urban, rural, ocean/coastal, and transportation growth management). The Office of the Director directs all Division operations, policy, and communications, and facilitates dispute resolution. Administrative Services is staffed by approximately 13 FTE who provide financial, information systems, and personnel services to the Department.

Program areas consist of planning staff and specialists who provide technical expertise for farm and forestry lands, dispute resolution, rules, and state agency coordination.

- The ***Urban Community Services*** program oversees the implementation of statewide planning goals in Oregon cities over 2,500 in population (roughly 90 cities) and in affected areas of counties. The program uses approximately 4 FTE to conduct the periodic review and plan amendment review processes for the urban areas. Staff typically participate in more than 50 periodic reviews and review more than 1,000 plan amendments each year. The program also provides technical assistance and grant management for local governments. The primary issues facing the program include affordable housing, urban growth boundaries, transportation planning, public facilities and services, and industrial land. The program is primarily funded with General Fund, but receives some federal funding for coastal cities.
- The ***Rural Community Services*** program oversees the implementation of statewide planning goals in cities under 2,500 in population (roughly 150 cities) and in 36 counties. Staff provide the same services as in the urban program, but for a different clientele. The primary issues facing the rural program include conservation of farm and forestland, flooding and natural hazards, rural and community development, and protection of natural resources. The rural program also manages five Regional Problem-Solving pilots and participates in regional partnership and community solutions teams. The program is funded with General Fund with some federal funding support for coastal regions and some Other Funds (from the Oregon Department of Transportation).
- The ***Ocean and Coastal*** program oversees the implementation of statewide planning goals, with emphasis on the coastal goals, by local jurisdictions and state agencies in the coastal zone. The Department accomplishes this through periodic review, review of plan amendments, and implementation of the Ocean and Territorial Sea Plans. The program uses approximately 10 FTE to participate in periodic reviews, evaluate plan amendments, provide technical assistance, manage coastal grants, coordinate state and federal programs in the coastal zone, and staff the Ocean Policy Advisory Council. The primary issues facing the ocean and coastal program include public access to the ocean, estuaries, and other waters; development on dunes, beaches, and in estuaries; protecting ocean resources; managing coastal hazards and non-point pollution; and natural resource protection, including salmon / steelhead habitat. The program is primarily funded under the federal Coastal Zone Management Act.
- The ***Transportation and Growth Management (TGM)*** program focuses on transportation planning and the issues of managing urban growth to maintain livability within Oregon's communities. The program is a joint effort with the Oregon Department of Transportation (ODOT). DLCDs urban program provides roughly 10 positions to work with local governments on efforts to link transportation plans with land use plans and to develop tools for managing urban growth. Staff also provide technical assistance, manage grants, and help special districts, cities and counties coordinate planning and public facilities. The primary issues facing the TGM program include dealing with transportation demands, affordable housing, the cost of providing urban and transportation services, mobility, air quality, and livability. The program has relied heavily on federal funds through ODOT for operations and grants.

Revenue Sources and Relationships

About 60% of the requested Operations program for 2001-03 is funded with General Fund. Most of the remaining 40% of the program's costs are covered by Federal funds, with some funding from various Other Funds sources. Direct federal funding is from two federal agencies, the U.S. Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) and the Federal Emergency Management Agency (FEMA).

NOAA funding under the Coastal Zone Management Act (CZMA) has historically provided between 20 and 30% of the overall costs of the state's land use program. Department activities affecting coastal communities are eligible for federal funding since the state's land use planning program represents the core of the federally approved Oregon Coastal Management Program. The Department anticipates receiving $4.2 million in CZMA funds for the 2001-03 biennium. The General Fund provided to the program serves as the match required to receive the annual federal grant. Use of the CZMA resources is limited to services provided to coastal planning activities. While base levels of CZMA funds have declined over the past several years, the Department has been able to maintain program levels by participating in competitive grants and seeking support through other NOAA programs.

FEMA funds are used to operate the Floodplain Management Program, which is a condition of participation in the National Flood Insurance Program. FEMA funds require a 25% state match, which is also provided by the program’s General Fund appropriation. FEMA funds are estimated at roughly $172,000 for 2001-03 and are restricted for use in floodplain management activities.

The Oregon Department of Transportation (ODOT) previously funded a position to assist local governments and others on mineral and aggregate issues. ODOT has discontinued support for the position in 2001-03. ODOT continues to provide funds for the Transportation and Growth Management program, but at a reduced level. The Department projects a transfer from ODOT of just over $1 million (Federal Transportation Equity Act for the 21st Century - TEA-21 funds) for the program in 2001-03. The Department also receives small amounts of Other Funds revenue from the sale of publications, subscriptions to plan amendment and periodic review notices, and duplicating services.

Budget Environment and Performance Measures

Expansion of the state’s population and the resulting pressures on transportation systems and land management will increase the Department’s planning workload. Growth will present challenges on coastal developments, urban growth boundary expansion, development of agricultural and rural lands, preservation of natural resources, and maintenance and development of adequate infrastructure. The Department is under a federal mandate to participate in nonpoint source water pollution planning with the Department of Environmental Quality (DEQ). Federal funding for the program is uncertain, but failure to meet the standards and time lines required by the program could lead to a loss of 30% of federal coastal zone management funds to DLCD and water quality funds to DEQ.

The passage of Measure 7 in 2000 will bring new challenges for state and local land use planning. Compensating current land owners for property losses from governmental actions may be a heavy burden for many state and local agencies. While the courts are still reviewing Measure 7’s legal implications and scope, the ramifications may have significant effect on the ability of state and local governments to implement land use programs and policies throughout the state. As the legal issues are decided, subsequent rules for implementing the measure will be needed to ensure orderly processing of claims, review and adjustment of land use plans, and development of future land use policies.

The Department is beginning to track performance measures in a number of areas. Planned measures will focus how much land is preserved for forest or agriculture use. Specific measures include tracking the number of forest and agriculture acres that have moved inside urban growth boundaries and the number of plan amendments that propose moving forest or agriculture land to other uses.

Governor’s Budget

The Governor’s budget is 6.9% below the 2001-03 current service level. The General Fund increase of 12.1% is offset by reductions in Other Funds from the Oregon Department of Transportation (ODOT). Staffing is 1.08 FTE below the 2001-2003 current service level.

The Department participates with four other agencies to provide regional field representatives to assist cities and counties in identifying and resolving community development problems. Four field positions are included in the budget to work with the nine regional Community Solutions teams. ODOT funding for Community Solutions teams support is being replaced by General Fund. The $371,469 Other Funds for the Community Development Office, however, is not being replaced. The restructuring of Community Solutions Teams support will result in a net decrease of $991,488 Other Funds and an incease of $620,019 General Fund.

The budget reduces an aggregate specialist position by 0.5 FTE. The position provides technical planning assistance for local governments and others engaged in the protection of mineral and aggregate resources. As Transporation funds for this position are no longer being provided, General Fund previously in the Grants budget are used to fund the partial position. Accordingly, $93,874 General Fund is included in the Operations budget to partially offset the $188,010 reduction in Other Funds (ODOT funds).

Funding from ODOT is also reduced for the Transportation and Growth Management Program (TGM). An increase in General Fund is being used to partially offset the loss of ODOT funds. The reduction eliminates one Planner 3, one Natural Resource Specialist 4, and a grants coordinator position. While the reduction will mean a reduced level of community technical assistance, the General Fund increase will allow the state to fully fund matching requirements and cover various non-participating expenditures for remaining 10.5 FTE involved in the TGM program. The net funding impact of the TGM reduction reduces Other Funds by $197,155 and 3 FTE, and increases General Fund expenditures by $87,759.

The Governor's budget shows reductions of $334,966 Federal Funds and 2.58 FTE to correspond with lower federal revenue. The reduction was based on assumptions of lower federal emergency and coastal revenue which may or may not prove to be correct. A technical adjustment may be needed to restore these Federal Funds expenditures if the funds will, in fact, be available. Other Funds for dispute resolution are reduced by $24,280 to reflect anticipated lower circuit court filing fees.

An additional $27,825 Federal Funds is budgeted to cover additional rent expenditures associated with the renovation of the Agriculture Building. A reduction of $33,309 Other Funds was also made in miscellaneous services and supplies.

DLCD – Grants Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,595,578	2,871,575	2,943,364	2,849,490
Other Funds	223,433	88,050	201,376	201,376
Federal Funds	430,649	485,716	497,859	497,859
Total	**3,249,660**	**3,445,341**	**3,642,599**	**3,548,725**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

DLCD awards grants to local jurisdictions for maintaining, improving and implementing comprehensive land use plans and regulations and for assisting local governments in meeting the statutory obligation for periodic review of these plans. The Grants program is intended to ensure continued compliance with the statewide planning goals through the provision of financial assistance. Grants awarded include those for periodic review, technical assistance, dispute resolution, regional problem-solving, Columbia River Gorge, and small city and county grants. In addition, coastal communities are eligible for small-scale construction grants for public access and waterfront development. Management of the Grants program is conducted within the Operations program; no staff positions are included in the Grants program unit.

Revenue Sources and Relationships

The Grants Program is primarily funded with General Fund. Other Funds represents the expenditure of dispute resolution matching funds provided by participants. The Federal Funds grant source is CZMA funds for support of the coastal management program, monitoring and assistance to local governments in the coastal zone, and special projects such as salmon habitat, dispute resolution, wetland planning, nonpoint pollution, and public access.

Since the 1993-95 biennium, the Department has received General Fund to be transferred to each of the three Oregon counties included in the Columbia River Gorge National Scenic Area. The funds are to be used by the counties in complying with the requirements of the National Scenic Act.

Budget Environment and Performance Measures

The Department notifies local governments of the availability of grant funds and the grant requirements. Grants include competitive grants and grants available to any eligible local government applicant. After evaluation and review, recipients enter into an agreement with the Department regarding the specific work to be accomplished and a time schedule for completion. Performance measures have not been developed for this program.

Governor's Budget

The Governor's budget is 2.6% below the 2001-03 current service level. The reduction of $93,874 General Fund reflects the transfer of funds for the 0.5 FTE aggregate specialist to Operations.

DLCD – Landowner Notification

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	16,500	501,399	471,252	689,830
Total	**16,500**	**501,399**	**471,252**	**689,830**
Positions (FTE)	0.25	0.50	0.00	1.00

Program Description

Ballot Measure 56 was referred to the voters by the 1997 Legislature and was approved in the November 1998 General Election, with an effective date of December 3, 1998. The measure required that cities and counties provide individual written notice to landowners when a new or amended zoning ordinance is proposed that will limit or prohibit uses of the landowner's property. The state is required to reimburse local governments for the notification costs when the proposed ordinance changes are related to changes in state law or policy.

Revenue Sources and Relationships

The Department requested and received an Emergency Fund allocation of $511,500 in January 1999 to begin the landowner notification process. The funding was provided for reimbursement of local government costs ($500,000), for the expenses of a position (0.25 FTE) to manage the local claims ($3,600), and for legal assistance from the Department of Justice on interpretation of the measure's language ($7,900). The Department processed 86 requests totaling $191,619 in reimbursements in the first 13 months of the 1999-01 biennium. Twenty-one of those requests totaling $52,061 were denied for not meeting statute requirements.

Budget Environment and Performance Measures

As future city and county zoning amendments are hard to anticipate, estimating the associated projected costs of the notification process and associated legal expenses is difficult. With the passage of legislation changing land use regulations, it is expected that increased costs for notification subject to state reimbursement will occur in the months following legislative sessions. Performance measures have not been developed for this program.

Governor's Budget

The Governor's budget is 46.4% above the 2001-03 current service level. The additional $218,578 General Fund is included to continue implementation of Ballot Measure 56. The Department will reimburse local government notification costs and pay for legal assistance from the Department of Justice on interpretation of the language. Staffing is increased by an Accountant 1 position to help manage local claims.

Land Use Board of Appeals – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,055,943	1,077,780	1,199,919	1,262,919
Other Funds	30,344	96,465	34,663	60,794
Total	**1,086,287**	**1,174,245**	**1,234,582**	**1,323,713**
Positions (FTE)	7.00	7.00	6.00	7.00

Program Description

The Land Use Board of Appeals (LUBA) was established in 1979 to provide prompt, professional, and efficient resolution of land use issues and to create a consistent body of land use law. LUBA retains exclusive jurisdiction to hear appeals of land use decisions made by state agencies, local governments, and special districts. Decisions of LUBA may be appealed to the Court of Appeals and ultimately to the state Supreme Court. Private parties and public agencies - including agricultural interests, developers, environmental groups, individual property owners, and state and local governments - are able to bring issues to LUBA for review. Most appeals of local land use decisions are brought before LUBA by individual citizens with the responding party being a local government unit. LUBA only obtains jurisdiction to review local government decisions for consistency with local and state land use laws after an appeal is filed. LUBA has no ability to file an appeal and has no control over the number of cases brought forward for review.

LUBA's mission is to decide appeals quickly and consistently, and to disseminate its opinions to create a body of land use law to allow for consistent land use decision making. Prior to the establishment of LUBA, review of local land use decisions was conducted by circuit courts, resulting in delays and inconsistent interpretations of land use law in different portions of the state.

The Board consists of three hearings referees, appointed by the Governor with Senate confirmation, who are members of the Oregon State Bar. Two clerical positions perform administrative support functions. A permanent staff attorney position was provided by the Legislature in 1997 to conduct legal research and to assist with the production of final opinions and orders. The 1999 Legislature provided a publications coordinator position (0.50 FTE) on a limited duration basis to assist with the Board's publication and caseload backlogs. In April 2000, the Emergency Board allocated $31,300 from the Emergency Fund to continue the existing limited duration publications coordinator position for the remainder of the biennium.

LUBA's accounting, personnel, and payroll functions were provided through an inter-agency agreement with the Water Resources Department until April 1998 when the LUBA offices were moved from the State Library to the Public Utility Commission (PUC) building. Along with the physical relocation, provision of accounting and other administrative support functions were also transferred to PUC. The Board's 1999-01 budget included $25,000 General Fund to compensate PUC for these services.

Revenue Sources and Relationships

LUBA's operational expenditures are supported entirely by the General Fund. Other Funds revenues represent sales income from publication of *LUBA Reports*. LUBA assumed responsibility for publishing its opinions in the 1985-87 biennium. With the assistance of the publications coordinator, the Board published four volumes during the first year of the 1999-01 biennium, with two more volumes expected during the second half of the biennium. LUBA anticipates publishing four volumes during the 2001-03 biennium. The latest volume published, Volume 37, contains orders and opinions issued up to April 2000. Revenues from published opinions, estimated at $44,100 for 2001-03, are declining as purchasers shift from hard cover volumes to computer disks. LUBA intends to create a process to electronically transmit camera-ready copies of future volumes of *LUBA Reports* to the state printer. The Board developed a web page incorporating its decisions in order to enhance the research access to lawyers and citizens active in the appeal process. The web page now includes slip opinions as they are issued and access to opinions dating back to 1990.

LUBA also collects a filing fee, which is transferred to the General Fund. The filing fee was last increased by the Legislature in 1997 when House Bill 2642 set the fee at $175. Estimated revenues from this source increased from $34,900 in 1995-97 to $71,600 in 1997-99. Assuming the number of filings stays constant, estimated revenue from filing fees for 2001-03 is anticipated to be $70,350.

Budget Environment and Performance Measures

LUBA's annual caseload has more than doubled over the past 10 years with no change in the number of referees. Following the 120 appeals filed in 1987, the Board experienced a steady and sustained increase in the number of appeals filed each year peaking with 265 in 1997. Since 1997, the number of appeals has reduced in number falling to 227 in 1998 and 201 in 1999. The Board projects slightly more than 200 appeals for the year 2000. In addition to the increased volume of appeals, the issues involved in the appeals have become increasingly complex due to the sophistication of the arguments, the lack of case law on correctly interpreting acknowledged land use plans, and legislative changes to the basic state land use laws. Complicating the Board's workload problem was a complete turnover of referees during 1995. The combination of referee vacancies and a surge in appeals led to the development of a case backlog.

Eliminating the appeal backlog is important for both legal and local development reasons. ORS 197.830(14) requires LUBA to issue final written opinions on appeals within 77 days after the date LUBA receives and settles the local government record. Certain local development efforts are stalled until a case is legally resolved. Legislative policy currently states that "time is of the essence in reaching final decisions in matters involving land use and that those decisions be made consistently and with sound principles governing judicial review." (ORS 197.805)

LUBA uses performance measures primarily to track the timeliness and accuracy of producing opinions and publishing decisions. The most significant performance measures monitored by LUBA include:

- Issuance of 90% of final opinions within the statutory deadline of 77 days after the record of decision is received by LUBA or with no more than a 7-day stipulated delay; LUBA is currently issuing final opinions within these timelines in 50 to 60% of the cases.
- Resolution of all issues when reversing or remanding a land use decision in 95% of final opinions; LUBA has consistently resolved all issues in 100% of its final opinions.
- Issuance of final decisions which are sustained on appeal 80% of the time; for 1999, LUBA opinions were sustained in 78% of the cases appealed. Between October 1999 and June 2000, however, the average has been between 90 and 100 percent.
- Publish *LUBA Reports* volumes, with 6 months of final opinions and orders, within 3 months after issuing the last final opinion or order to be included in the volume; Volume 33 was published 18 months after the last final opinion included in the volume was issued. With the publication of Volume 37, LUBA has attained the goal of publishing within 3 months following the issuance of the final opinion included in the volume.

Governor's Budget

The Governor's recommended budget of $1.3 million is a 13% increase from the 1999-01 estimated expenditures and a 7% increase from the current service level. The recommended General Fund appropriation for the agency is increased by 17% from 1999-01 levels to a total of $1.26 million. The recommended budget also includes $61,000 Other Funds, primarily for activities related to the publication of opinions.

The recommended budget includes one program option package. The 1999 Legislature approved a limited duration publications editor position for the first year of the 1999-01 biennium (0.50 FTE) to perform the agency's publication related duties. In April 2000, the Emergency Board extended the position for the remainder of the biennium. Although the current service level budget eliminated the limited duration publications editor position, the Governor's recommended budget restores the position as permanent using a combination of General Fund (74%) and Other Funds (26%) from publication sales. During the 1999-01 biennium, LUBA successfully used the position to produce *LUBA Reports* in a timely fashion. The publications editor position relieves referees from performing publication-related tasks that take time away from the primary function of writing and issuing opinions. The package totals $75,000 General Fund and $26,131 Other Funds.

The Governor's recommended budget also includes a reduction package of $12,000 General Fund for a special payment to PUC for administrative support functions. The agency experienced a lower level of actual expenditures for these services than the amounts budgeted for the 1999-01 biennium. The agency's budget retains $13,000 General Fund to pay for the support services.

Oregon State Marine Board (OSMB) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	17,125,320	17,816,019	17,191,904	17,382,384
Federal Funds	2,704,582	3,771,308	3,780,537	3,780,537
Total	**19,829,902**	**21,587,327**	**20,972,441**	**21,162,921**
Positions (FTE)	31.58	35.00	37.00	38.00

The Oregon State Marine Board was established in 1959 and is responsible for registering and titling all recreational boating vessels in the state. The Board consists of five members appointed by the Governor for four-year terms. The Marine Board's budget is comprised of three separate program areas. These programs are dedicated to the Board's mission of boater safety, education, and access in an enhanced boating environment.

Revenue Sources and Relationships

All agency programs are funded by three major revenue sources: registration and title fees (26%); marine fuel taxes (54%); and federal funds (18%). The agency receives no General Fund support or Lottery Fund allocations. A small amount (3%) of revenue is received from outfitter and guide registration, mandatory education and late penalties.

In 1999, the State Marine Board adopted a new method to estimate motorboat fuel consumption for calculation of fuel tax revenue. The new methodology bases the estimate on a survey of Oregon boaters to be performed by the Survey Research Center at Oregon State University. This new approach should improve the estimate of motorboat fuel consumption and more accurately calculate the amount of fuel tax revenue allocated for State Marine Board programs. Because the Board believes the number of boat registrations is expected to remain static, marine fuel tax revenues are not expected to increase above the 1999-01 estimated level of $11.1 million.

Registration fees are set by statute and vary based on type and size of vessel. Registrations must be renewed once a biennium. A boat owner must also secure a one-time certificate of title from the Marine Board. The Board sets the title fee by rule, not to exceed seven dollars. Each year the Department of Administrative Services certifies the amount of motor vehicle fuel taxes imposed during the preceding fiscal year on fuel purchased and used to operate motor boats. The amount, less refunds for commercially used motor boats, is transferred to the Marine Board's Boating Safety, Law Enforcement and Facility Account.

Boat Title and Registration Fees

Titling Fees		Registration Fees	
Oregon Title Transfer; Oregon Title; new boats or Out of State Transfers; Lost Title without change of ownership	$ 7	Motorboat up to 11'11" with less than 30hp motor	$ 15
		Motorboat up to 11'11" with 30hp or more	$ 25
		Personal Watercraft of any length	$ 25
Lost Title replacement w/change of owner	$10	Motorboat or sailboat 12' to 15'11"	$ 21
Duplicate Certificate of Number (reg. card)	$ 3	Motorboat or sailboat 16' to 19'11"	$ 25
Duplicate Decals and Cert. of Number	$ 3	Motorboat or sailboat 20' and over in foot or partial foot increments (add $2/foot over 20 feet)	$30+
Title & Plate for Boathouse/Floating Home	$20		

Federal Funds are received from the U.S. Coast Guard's Recreation Boating Safety (RBS) grant program ($2.3 million), the Clean Vessel Act (CVA) program ($1 million), and the Boating Infrastructure Grants Program (BIGP). RBS grants ($400,000) are obtained through the dedicated Aquatic Resources Trust Fund with revenues from federal motorboat gasoline taxes and excise taxes on sport fishing equipment. The Coast Guard restricts use of RBS grants to boating safety programs and requires a 50-50 state match. CVA funds were first made available in 1994 for funding vessel waste pump out facilities and dump stations to reduce the effects of untreated sewage from boats in the state's waters. CVA grants require a 25% state match.

Governor's Budget

The Governor's recommended budget of $21.2 million is $421,706 or 2% less than the 1999-01 estimated expenditures, and $190,480 higher than the 2001-03 current service level. The current service level reduction from 1999-01 expenditures results from declining marine fuel revenues. Specific Governor's recommendations are discussed under each program unit.

OSMB – Administration and Education

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	2,881,318	3,350,172	3,569,511	3,759,991
Federal Funds	98,135	110,878	113,405	113,405
Total	**2,979,453**	**3,461,050**	**3,682,916**	**3,873,396**
Positions (FTE)	19.42	20.84	22.84	22.84

Program Description

The Administration and Education program is responsible for vessel titling and registration activities including floating homes and boathouses, outfitter and guide registration, and ocean charter boat licensing. The program also administers state boating laws, develops waterway management plans, serves as liaison with other government units, conducts boating accident analyses and boater surveys, coordinates the Adopt-a-River program, and provides the agency's central business functions. Education activities include implementation of mandatory boater education, coordination of statewide water safety school programs, development and distribution of safe boating promotional materials, and the production of public information materials for distribution to the media.

Budget Environment and Performance Measures

The increasing popularity of water-based outdoor recreational activities in Oregon continues to challenge the Administration and Education Program. Over 197,000 boats are currently registered with projections indicating continued growth in boater use of the state's waterways. Other non-traditional boating activities, such as personal watercraft (jet skis) and sail boarding, are expected to bring additional challenges to waterway management. In 1988, for example, 800 personal watercraft (PWC) were registered with the Marine Board; in 1998, the number of registered PWCs exceeded 13,000. The combination of increases in population, in the number and types of craft being used, and in the number and range of conflicts between users is creating additional boating education and safety needs. Mandatory boater education is expected to play a significant role in reducing conflicts and accidents. Performance measures in this program include:

- The average number of days to issue documents from the day an agent permit is received to the date documents are mailed to the customer, demonstrating service quality and efficiency. The agency target is 20 days. The achievement rate is an average of 13 days over 12 months. The 2001-03 proposed budget assumes maintaining the current service level.
- The number of working days to issue documents from the day a transaction is received to the date documents are mailed to the customer, demonstrating service quality and efficiency. The agency target is two days. The achievement rate is an average of 9.6 days over 12 months. The 2001-03 proposed budget assumes an improvement from the current service level.
- The average hours of unscheduled leave per year per employee, indicating the effect of absences on labor efficiency. The agency target is two days. The achievement rate is an average of 3.5 days. The 2001-03 proposed budget assumes an improvement to two days.
- The number of temporary FTE positions per quarter in addition to the permanent FTE positions in vessel registration, paid overtime, volunteers, rotations, and personal services. The purpose of this measure is to demonstrate the additional labor needed to provide required services and products. The agency target is zero. The achievement rate is an average of 7.5 hours. The 2001-03 proposed budget assumes maintaining the current service level.
- The number of boating fatalities per 10,000 registered boats in Oregon, demonstrating the effectiveness of boating safety education and enforcement programs. The agency target is zero, and the achievement rate is 0.8 per 10,000 registered boats. The 2001-03 proposed budget assumes a decline from the current service level.

Governor's Budget

The Governor's recommended budget of $3,873,396 is $412,346 or 12% higher than the 1999-01 estimated expenditures, and $190,480 or 5% higher than the 2001-03 current service level. The Governor recommends approval of a decision package to increase the expenditure limitation by $190,480 to hire temporary workers to assist in peak registration periods for mandatory boater education. The mandatory boater education program is supported by fee revenue associated with the program.

OSMB – Law Enforcement Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	5,953,275	7,188,606	7,430,787	7,988,133
Federal Funds	2,156,097	2,244,645	2,185,685	2,185,685
Total	**8,109,372**	**9,433,251**	**9,616,472**	**10,173,818**
Positions (FTE)	3.83	3.83	3.83	4.83

Program Description

By statute, funding of law enforcement activities is the first priority for the Marine Board after administrative expenses are covered. The Law Enforcement program provides on-water safety patrol and boating law enforcement through contracts with 32 county sheriffs and the Oregon State Police. The program also provides patrol boats and specialized enforcement equipment, develops and offers basic and advanced training for county marine patrol officers, maintains a marine law enforcement data base and reporting system, performs contract administration functions, and retains responsibility for the waterway marking system.

Revenue Sources and Relationships

Funding of the Law Enforcement program is from registration and title fees, marine fuel taxes, and the U.S. Coast Guard Recreation Boating Safety grants. U.S. Coast Guard funding has been static. No significant change in federal funding is anticipated until after 2003 when the Transportation Equity Act for the 21st Century is scheduled for reauthorization.

Budget Environment and Performance Measures

Federal funding was restored in the 1999 federal fiscal year allowing reimbursement for law enforcement programs. Based on congressional action, the amount of Federal Recreational Boater Safety funding is expected to continue at $2.3 million for the 2001-03 biennium. The cost of fuel and operations for many county-based programs is exceeding state budget inflation rates. As a result, county programs are being scaled back. Performance measures in this program include:

- The total number of arrests, citations, warnings, inspections, assists and other field public contacts per hour of available patrol time as reported by counties and the state police on monthly enforcement reports. This demonstrates the efficiency of field enforcement program personnel. The agency target is 2.4 contacts per hour, and the achievement rate is 1.87 per hour. The 2001-03 proposed budget assumes maintaining the current service level.
- A comparison of the total number of guilty pleas, bail forfeitures, and court convictions to the total number of boating citations and arrests by marine patrol personnel under contract to the Board. The measure demonstrates the effectiveness of field enforcement in relation to successful prosecution of cases; the number of boating arrests for boating while intoxicated per 1,000 hours of water patrol statewide, which demonstrates effectiveness in reducing boating under the influence through increased training and enforcement efforts. The agency target is 0.93 per 1,000 hours of water patrol. The agency meets this target. The 2001-03 proposed budget assumes maintaining the current service level.

Governor's Budget

The Governor's recommended budget of $10,173,818 for marine law enforcement is $740,267 or 8% higher than the 1999-01 estimated budget, and $557,346 or 6% higher than the current service level. The Governor recommends an increase of $398,697 in special payments to Oregon State Police to pay the increased cost of phased-in state trooper positions approved in the 1999-01 Oregon State Police budget. The increased special payment is the equivalent of 11,391 more hours of service under the current interagency agreement. The Governor also recommends approval of a $158,649 decision package to provide expenditure authority for the addition of one position (1 FTE) to address increased workload requirements in administrative processes regarding boater violations. Both decision packages are proposed for funding by reducing the current services provided in the Facility Grants Program.

OSMB – Facilities Grant Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	8,290,727	7,277,241	6,191,606	5,634,260
Federal Funds	450,350	1,415,785	1,481,447	1,481,447
Total	**8,741,077**	**8,693,026**	**7,673,053**	**7,115,707**
Positions (FTE)	8.33	10.33	10.33	10.33

Program Description

The Facilities program provides for the maintenance and improvement of boating facilities throughout the state. The Marine Board provides technical and financial assistance for local governments and state agencies to acquire, develop, improve, and rehabilitate public boating facilities. Projects eligible for Board funding include boat launch ramps, parking, restrooms, courtesy docks, transient tie-up facilities, and other boating related facilities. Grants rely on partnerships and the leveraging of other financial resources such as federal funds, private funds and donations, and other local and state funds. Priorities for funding are established in the Board's *Six Year Boating Facilities Plan* which identifies $20 million in unmet boating access needs statewide. The federal Clean Vessel Act (CVA) program targets water quality protection through the provision of facilities for boat pump out and dumping of waste. A new federal program to fund non-trailerable boating facilities is expected to begin by 2001, this program is known as the Boating Infrastructure Grants Program (BIGP).

The Board's Maintenance Assistance Program provides financial support for local governments and the Oregon Parks and Recreation Department for the maintenance and operation of boating facilities in park areas. The Board also provides engineering services for local governments and state/federal agencies lacking the specialized skills needed to design and build boat facilities.

Revenue Sources and Relationships

The Facilities program revenue sources include registration and title fees, marine fuel taxes, and the federal Clean Vessel Act. The Marine Board expects to receive federal grants from the Clean Vessel Act totaling slightly over $1 million in 2001-03. These grants are awarded competitively on a 75% federal to 25% state matching basis. The Marine Board also expects to receive federal grants from the Boating Infrastructure Grants Program totaling approximately $400,000 which are also authorized on a 75-25 match ratio.

Budget Environment and Performance Measures

This is one of the few discretionary areas that the Board has to make reductions without adversely impacting mandated services in its business, education, and law enforcement/safety programs. Performance measures in this program include:

- The percent of local and other matching funds leveraged by approved facility grant projects. This demonstrates effectiveness in leveraging matching funds and maximizing program benefits. The agency target is 60%, and the achievement rate is 46 percent. The 2001-03 proposed budget assumes maintaining the current service level.
- The number of on-site-grant project and Maintenance Assistance Program site inspections conducted during the preceding 12-month. This demonstrates the quality of administrative program overview and staff effectiveness. The agency target is 125, and the achievement rate is eighty-six. The 2001-03 proposed budget assumes a reduction in the number of grants issued, resulting in an increase in the achievement rate due to fewer projects needing inspections.
- The percent difference between the actual base bid compared to the engineer's estimate for projects designed by staff. This demonstrates quality of design and engineering services. The agency target is zero, and the achievement rate is 1 percent. The 2001-03 proposed budget assumes maintaining the current service level.
- The total cost of project construction compared to initial authorization, demonstrating effectiveness and quality of design and engineering services. The agency target is zero, and the achievement rate is 1 percent. The 2001-03 proposed budget assumes maintaining the current service level.

Governor's Budget

The Governor's recommended budget of $7,115,707 for the Facilities Grant Program is $1.5 million or 18% lower than the 1999-01 estimated expenditures, and $557,346 or 8% lower than the current service level. The 2001-03 current service level recognizes a reduction of $740,648 resulting from insufficient projected marine fuel revenues to cover program expenditures. The recommended budget reflects additional reductions of:

- $158,649 to support a decision package in the Marine Law Enforcement program for administrative support; and
- $398,697 to support special payments to Oregon State Police to fund increased personnel costs for state trooper positions.

The reductions result in a decreased facility grant improvement program.

State Parks and Recreation Department (OPRD) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	11,067,693	0	0	0
Lottery Funds	1,276,555	40,443,595	43,657,103	45,905,003
Other Funds	68,317,705	60,669,191	62,690,018	71,991,419
Federal Funds	1,990,306	4,422,108	3,680,143	5,516,636
Nonlimited	1,860,398	3,644,222	3,735,328	3,735,328
Total	**84,512,657**	**109,179,116**	**113,762,592**	**127,148,386**
Positions (FTE)	447.38	466.40	465.87	507.62

The State Parks and Recreation Department is under the direction of a seven-member Commission. The Department operates the state's system of 228 parks and related recreational 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 land use and outdoor recreation planning. The Department is also designated as the State Historic Preservation Office; oversees activities of the Oregon Heritage Commission and Oregon Pioneer Cemetery Commission. In addition, the Department manages Natural Resource Lottery Funds programs including local park development grants; state park land acquisition; development and maintenance; the parks-prisons inmate work program; state park facilities; and development projects.

The Department manages parks lands covering 94,330 acres. These include 52 campgrounds, 171 day-use areas, 478 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 historic inns.

Revenue Sources and Relationships

In November 1998, voters approved Measure 66 dedicating 15% of the net proceeds of Oregon's lottery revenues to be deposited into a parks and natural resources fund until the year 2014 when it will be referred to the voters. Fifty percent of the Natural Resource Fund, estimated at $90.4 million for the 2001-03 biennium, are to be distributed for the purpose of financing the protection, repair, operation and creation of state parks, ocean shore and public beach access areas, historic sites and recreation areas. For 2001-03 these Lottery Funds represent 32% of total revenue in the Department's budget.

Park user fees represent 25% of the total budget. User fees are expected to generate $32 million in 2001-03, $4 million more than the 1999-01 biennium. The increase is the result of increased overnight camping and special site utilization (such as yurts, cabins, teepees etc.) and a phased-in increase in rates that will become effective in May 2001 for camping and January 1, 2002 for day use areas. The other major source of Other Funds revenue is from recreational vehicle registration fees (RV Fee). RV fees are shared 30% by the counties and 70% by the state. For 2001-03, the RV Fee is expected to produce $25.6 million, $18 million for the state parks system and $7.6 million for transfer to counties. The Legislature also created a "salmon" license plate that has a premium surcharge above the standard license plate fees. The proceeds from the sale of these plates are to be divided equally between state parks and salmon habitat restoration needs. OPRD anticipates receiving over $400,000 in the 2001-03 biennium from the salmon license plate.

Other dedicated revenue sources include $4.7 million from the Oregon Department of Transportation State Highway Fund for roadways and rest area maintenance, $1.2 million from the Marine Board for boater facility maintenance and rehabilitation, $3.6 million from the All-Terrain Vehicle fuel tax revenues. 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 $5.5 million federal funding from the Land and Water Conservation Fund – National Park Service ($3.2 million), Historic Preservation ($874,000) and the Recreational Trails Program ($1.4 million, part of the Transportation Equity Act for the 21st Century – TEA21).

Budget Environment and Performance Measures

At the request of the Legislature, OPRD realigned budget categories into eight decision units to meet the need for better information than previous budgets. The budget focuses on the distinction between major programs and services rather than on broad areas of responsibility.

Renovation and facility repair needs continue to be a major focus for preserving the vitality of the Oregon State Park system. The $15 million in lottery bonds authorized and issued in the 1997-99 biennium began the process of retiring the backlog of deferred maintenance addressing critical and emergent repairs at targeted parks. The renovation and repair needs are currently documented at $86 million for facilities and $21 million for pavement rehabilitation. With the current plan to invest $16 million each budget cycle, it will take another 20 years to reduce the backlog to a manageable $6 million per budget cycle. At the same time, basic service costs of keeping the state parks open continue to increase. The public demand is high and continues to increase. Campground use increased over 4% in fiscal year 1999 compared to the same time period in 1998. The camping season has been extended into late fall, winter and early spring months. New services such as yurts, cabins and tepees have increased in popularity. In the first ten months of year 2000 the rental of specialty sites increased 4% over fiscal year 1999. Projected population increases are expected to affect park workload and the need for both day-use areas and camping sites.

The Joint Legislative Audit Committee included a review of the Department's facilities maintenance and repair efforts as part of its interim work plan because of concerns raised by the Legislature about the Department's ability to deal with the maintenance backlog in a cost effect manner. The Joint Legislative Audit Committee found that the Commission does a good job of carrying out state policy of outdoor recreation resources. It has overcome substantial obstacles to initiate needed maintenance, repair and improvement projects but improvements in fiscal oversight are needed. The review identified a need for higher levels of involvement by the Commission for allocating and monitoring financial resources and a need to develop Department performance objectives and measurements.

The Department does not currently have performance measures but is developing measures for the 2001-03 biennium as follows:

- Acquisition – this measure will tie to the benchmark of 35 acres per 1,000 Oregonians. The agency believes the benchmark goal is not attainable because park acreage has remained relatively static while population continues to increase. The Department plans to develop a realistic measurement during the 2001-03 biennium.
- Facility Investment Backlog – this measure will be based on attaining the planned reduction of the backlog of maintenance and repairs on park facilities, for example percentage of backlog completed.
- Facility Investment – Leveraging Additional Funds – this measure will be based on the Department's ability to partner with other entities in funding investments in the facilities of state parks. This will be based on maintaining or improving on current leveraging.
- Customer satisfaction – this measure will be based on attaining or maintaining a certain percentage of satisfied customers based on the customer survey of parks and Reservations Northwest. The Reservations Northwest survey is completed every two years, and the park survey is completed every five years.
- State Historic Preservation Grants – this measure will be based on the State Historic Preservation Office's ability to comply with federal requirements for continued funding.

The Department identified ten Oregon Benchmarks that are linked to agency programs and services. Key benchmarks include:

- Benchmark 90 – Outdoor Recreation – 35 acres of state-owned parks per 1,000 Oregonians. Oregon currently has 28 acres per 1,000 Oregonians. To meet the benchmark to current population the state would need to purchase about 21,169 acres of new state property. The Department estimates it would take an investment of over $208 million in 2001-03 and $28 million each biennium thereafter to maintain the benchmark goal.
- Benchmarks 77,80, 85, 87, 88 – Percentage of Oregon wetland acreage maintained or increased; forest land in 1970 still preserved for forest use; wild salmon and steelhead populations in key basins that are at target levels; native fish and wildlife species that are healthy; and native plant species that are healthy.
- Benchmark 72 – Percentage of roads in fair or better condition.

Governor’s Budget

The Governor’s recommended budget is $127 million total funds. This is nearly $18 million or 16.5% higher than the 1999-01 estimated budget and $13.4 million or 12% higher than the current service level. Lottery Funds expenditures are increased by $1.8 million from the current service level. In the 1999-01 Legislatively Adopted Budget, the Legislature increased the ending balance by $1.5 million Other Funds to insure for unanticipated liabilities, declines in revenue, and cash flow shortfalls at the beginning of each fiscal year. Within the Governor’s recommended budget, enhancements totaling nearly $1 million use projected Other Funds ending balances from current user fee revenue. If these enhancements are funded at the Governor’s recommended budget level, it will leave the Department without sufficient ending balance for unanticipated liabilities and cash flow shortfalls. The Governor ‘s recommended budget proposes legislation to increase camping fees and day use fees by a total of $2.7 million to restore the desired ending balance.

OPRD – Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor’s Recommended
General Fund	4,600,761	0	0	0
Lottery Funds	0	6,348,207	6,374,049	6,826,553
Other Funds	1,459,314	1,943,831	1,961,757	2,061,462
Federal Funds	0	0	17,895	17,895
Total	**6,060,075**	**8,292,038**	**8,353,701**	**8,905,910**
Positions (FTE)	26.50	33.00	33.00	37.00

Program Description

The Administration Program includes four Divisions:

- ***Directors Office*** (3.00 FTE) consists of three positions including the Director, Deputy Director, and Executive Assistant. The Office is responsible for overall agency management, support of Commission activities, coordination with the Governor, Legislature, and other government entities, and development of broad policy direction. The Director’s office works with the Historic Preservation Advisory Committee, the Oregon Heritage Commission, the Recreational Trails Advisory Council and the non-governmental, non-profit Oregon State Parks Trust.
- ***Personnel and Safety Services*** (6.00 FTE) supports the Department on all personnel and law enforcement issues including recruitment, labor relations and collective bargaining. The Division provides safety services through risk management, workers’ compensation, safety for success, property and visitor liability and the safety review board.
- ***Financial Services*** (19.00 FTE) is responsible for the biennial budget development and execution; coordination of Secretary of State audits, centralized accounting and payroll functions and contract management for the agency.
- ***Business Services*** (9 FTE) provides centralized business services including purchasing, fleet management, administrative rules, recycling and building management. Oversight of concessionaire contracts and rental agreements for park properties is also a function of the Division.

Budget Environment and Performance Measures

The Department is under the direction of a new Director hired by the Commission in July 2000. Shifting workloads and increased responsibilities have created a need for position reclassifications and position reallocation.

The Legislature directed the Department to develop a plan to convert to the Statewide Financial Management System (SFMS) during the 2001-03 biennium. It currently operates in a decentralized fashion with data entry occurring in more than 60 locations throughout the state. The Department plans to seek funding to phase in the migration of the new financial and accounting system.

No specific performance measures have been developed for this program.

Governor’s Budget

The Governor’s recommended budget of $8.9 million is $0.6 million or 7% higher than the 1999-01 estimated budget and $0.5 million or 6.6% higher than the 2001-03 current service level. The budget adds three positions (3.00 FTE) at a cost of $456,918 Lottery Funds to provide accounting support as the Department migrates to an improved financial management information system. A companion policy package is included in the

Information Services program for the hardware and software purchases. An increase of $19,914 Other Fund and a decrease of $4,414 Lottery Fund is recommended to fund reclassification of an Office Specialist 2 to a Personnel Officer 1 resulting from changes in duties and responsibilities. Also recommended is the establishment of an Office Specialist 2 (1.00 FTE and $66,492 Other funds and $13,299 Federal Funds) to track fleet information and enter it into the Department of Administrative Services motor-pool management information system.

OPRD – Policy and Planning

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	736,189	0	0	0
Lottery Funds	0	784,852	857,305	856,228
Other Funds	1,480,579	2,313,782	2,438,644	2,814,777
Federal Funds	0	150,000	79,309	78,751
Total	**2,216,768**	**3,248,634**	**3,375,258**	**3,749,756**
Positions (FTE)	16.00	13.00	13.00	17.00

Program Description

The Policy and Planning Division is responsible for strategic and long range planning, completing master plans for the state's parks, scenic waterways and ocean shores programs; park planning functions including maintenance, rehabilitation and new development; the state scenic waterway, ocean shore, and recreation trails programs; natural resources and forest management programs; and statewide recreation planning efforts.

The major programs within the Policy and Planning include:

- ***Outdoor Recreation Planning and Park Systems Development*** (5.00 FTE) develops plans for development, protection and public enjoyment of state park properties; identifies natural, cultural and scenic resources. Opportunities and constraints; directs the master planning process; and provides direction on planning for repair and development of sites and facilities.
- ***Scenic Waterways*** (2.00 FTE) develops management plans for the 19 rivers and one lake designated as state scenic waterways (1,150 miles) and participates in cooperative planning efforts for 24 of the 40 stream segments designated as federal Wild and Scenic Rivers. Staff also manages the Lower Deschutes River Scenic Waterway Recreation Area.
- ***Ocean Shore Administration and Willamette Greenway Programs*** (5.00 FTE) administers programs to preserve and protect public access, natural and scenic and recreational values of Oregon's 362 miles of ocean shores. Duties include processing and evaluating permit applications for beach construction, fill and removal and evaluating and recommending beach use regulations.
- ***Forestry and Natural Resources*** (5.00 FTE) plans and conducts all timber management on state park property, coordinates timber sales and monitors replanting, identifies hazardous and unhealthy trees, oversees removal, trains forestry interns, manages wildlife and habitat programs and protects threatened and endangered species on state park properties.

Budget Environment and Performance Measures

The Department manages 60,000 acres of forestland. The Division added one position in the 1999-01 biennium dedicated to implementing the Department's forest practices plan. The Secretary of State Audits Division recommended in August 2000 that the Commission reassess its forest practice policy adopted in 1996 with respect to use of revenues generated from timber harvests. The Department currently averages $600,000 per biennium from timber revenue dedicated by Commission policy to natural resource programs. The Department estimates that it could generate additional net revenues of as much as $2.5 million per biennium for the next 15 years from selective cutting.

The 1999 Legislature shifted responsibility for issuing permits for portions of ocean shores from the Division of State Lands to the Department. The shift in responsibility increased responsibilities and workload without adding staff.

No specific performance measures have been developed for this program.

Governor’s Budget

The Governor’s recommended budget of $3.7 million is $0.5 million or 15% higher than the 1999-01 estimated budget and nearly $0.4 million or 11% higher than the 2001-03 current service level budget. The budget adds four positions (4.00 FTE) at a cost of $354,953 Other Funds to work on natural resource, forestry and ocean shores permit issues. An increase of $21,180 Other Funds, a decrease of $1,077 Lottery Funds and a decrease of $558 Federal Funds is recommended to reclassify a Natural Resource Specialist 3 to a Natural Resource Specialist 4 due to changes in duties and responsibilities.

OPRD – Public Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor’s Recommended
Lottery Funds	0	0	436,595	436,595
Other Funds	1,640,795	2,577,543	2,281,943	2,300,477
Total	**1,640,795**	**2,577,543**	**2,718,538**	**2,737,072**
Positions (FTE)	8.00	11.00	11.00	11.00

Program Description

Public Services is responsible for marketing, beach safety programs, volunteer coordination, park brochures and coordination of media relations. The funding for these programs is from park user fees and Lottery Funds.

Budget Environment and Performance Measures

Services and program activities of the whole Department drive the workload for this program area. The primary workload has been to develop educational materials and park brochures. Deaths and injuries on Oregon’s beaches from drift logs, sneaker waves and tidal changes have been problematic for years. The 1999-01 Legislature provided funding for beach safety and educational materials to help educate visitors about dangers on the Oregon Coast. Coordination of thousands of volunteers who contribute hundreds of hours of service continues to grow each year. Over 38,000 state park volunteers worked on specific projects, participated in beach and river cleanup and acted as hosts in campgrounds in the 1999-01 biennium.

No performance measures have been or developed for this program.

Governor’s Budget

The Governor’s recommended budget of $2.7 million is almost $0.2 million or 6% higher than the 1999-01 estimated budget and $18,534 or 1% higher than the 2001-03 current service level. The budget provides $18,534 Other Funds to reclassify an Office Specialist 2 to Administrative Specialist 1 and a Public Information Representative 2 to Program Technician 2 resulting from changes in duties and responsibilities.

OPRD – Acquisition/Grants Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor’s Recommended
General Fund	77,218	0	0	0
Lottery Funds	0	6,000,000	9,119,822	9,114,126
Other Funds	1,160,235	4,559,228	4,785,380	4,952,917
Federal Funds	660,189	2,049,965	1,257,287	1,257,287
Total	**1,897,642**	**12,609,193**	**15,162,489**	**15,324,330**
Positions (FTE)	0.00	5.72	6.50	8.00

Program Description

The Land Acquisition and Grants program is responsible for direction and management of all real property functions and coordination of the Department’s major grant programs. These programs include the All-Terrain Vehicle permits program, the Local Grant Program, Recreational Vehicle Grant Program and Recreational Trails Program. Other minor grant programs are also included in this program. Funding for these programs is from ATV permit fees, Recreational Vehicle registrations, Lottery, Other and Federal Funds.

Budget Environment and Performance Measures

The Department was allocated $4 million dedicated to the acquisition and development of new park properties in the 1999-01 biennium. The Department acquired a total of 547.7 acres of land through direct purchase and donation during the biennium. The Legislature also allocated $100,000 to assess the feasibility of siting a state park in Washington County. The Department is currently negotiating land exchanges with the State Forest Department and landowners to acquire properties for a park site in Washington County.

Grant program activity increased as a result of transferring the ATV Program from the Department of Transportation to OPRD, the establishment of the Local Grant Program, and an increase in federal funding from the Land and Water Conservation Federal Grant program. The number of applicants seeking grant program funds drives workload levels. There continues to be a high degree of interest in the Local and Federal Grants program funds.

This program area plans to develop performance measures on acquisition for the 2001-03 biennium. No other performance measurements have been identified for this program.

Governor's Budget

The Governor's recommended budget of $15.3 million is $2.7 million or 22% higher than the 1999-01 estimated budget and nearly $0.2 million or 1% higher than the current service level budget. The base budget has been adjusted to phase in the All Terrain Vehicle (ATV) program that was transferred from the Oregon Department of Transportation in January, 2000. The budget also phases out the Land and Water Conservation federal grant funding. The recommended budget increases Other Funds $49,028 and decreases Lottery Funds $5,696 to increase a half-time (.50 FTE) Accountant 2 position to full time, resulting in an increase of .50 FTE. An increase of $118,509 Other Funds is recommended to establish a Public Information Representative 2 position (1.00 FTE) to coordinate the ATV safety education program. Funding for the position comes from ATV registration revenues.

OPRD – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	5,156,271	0	0	0
Lottery Funds	1,276,555	25,414,590	25,103,489	25,114,676
Other Funds	57,146,425	42,673,633	44,245,101	47,276,117
Federal Funds	274,026	1,348,143	1,389,746	2,963,797
Total	**63,853,277**	**69,436,366**	**70,738,336**	**75,354,590**
Positions (FTE)	359.88	367.28	365.37	389.12

Program Description

The Operations Program has responsibility for operation of the state park system on a daily basis. Four activity areas make up the Operations Program:

- ***Field Operations*** (371.12 FTE) is directly responsible for statewide operations of state parks. Management and maintenance responsibilities include insuring the safety of the public and protection of natural resources and facilities. Park Operations are divided into six geographic areas based on the number of park facilities and visitation. Park Operations employees -- rangers and seasonal park aids -- maintain park building and grounds, operate reservation services, collect fees, enforce park rules, and provide information. Other duties include maintenance of trail systems, Willamette Greenway sites, and the Deschutes River Scenic Waterway Recreation Area.
- ***Interpretive Services*** (1.00 FTE) provides planning, development and direct services to engage visitors in historic, scenic and natural heritage features to provide a sense of discovery about Oregon.
- ***Facility Inve***stments (14.00 FTE) provides engineering design, survey, and construction oversight for statewide park development projects focused on reducing the backlog of repairs and deferred maintenance. The section also develops standards and construction plans that comply with building codes to meet requirements for land use, climates, soils, purposes and visitation levels.
- ***Parks and Prisons*** (3.00 FTE) provides labor, materials and products for state parks through a partnerships with state, county and local correction and youth crew programs. Crews work on various maintenance and development tasks such as recreation trails, cabin construction, yurt foundations, and boat docks in the parks. The Department of Corrections inmates also provide products such as picnic tables, fire rings, nursery stock, signs, cabin furniture and computer assisted design work.

Budget Environment and Performance Measures

Growth increases in Oregon's population and economy have caused increases in the demand on current resources and facilities and a need to create new parks and recreational programs. In 1995, the Department implemented a program to promote use of state park campgrounds in off-prime seasons and increase camping revenues. The Department added yurts, cabins and other promotional activities during this same period. No additional personnel were provided to meet growth in demand for visitor services that has resulted from the increased usage. Repair needs continue to compound as buildings age and use increases. Ongoing investments in repairs and renovations from Lottery Funds are planned to continue at $16 million per biennium to reduce the backlog to a manageable level by the year 2020. With increases in park usage, complaints about public conduct, natural resource destruction and other violations continue to be raised by citizens statewide. In fiscal year 1999, camping increased by over 4% statewide compared to the same time period in 1998 and day use visits increased by 1 percent. Major repair and renovation projects in six parks were funded by Lottery Funds.

This program area plans to develop performance measures on reducing the facility investment backlog and the ability to leverage additional funds for parks facilities for the 2001-03 biennium. No other performance measurements have been identified for this program.

Governor's Budget

The Governor's recommended budget of $75.3 million is almost $6 million or 8.5% higher than the 1999-01 estimated budget and $4.6 million or 6.5% higher than the 2001-03 current service level. The recommended budget includes:

- Adding $11,187 Lottery Funds, $33,983 Other Funds and $558 Federal Funds to reclassify seven positions and increase a part-time Office Coordinator from .75 FTE to full-time resulting in an increase of .25 FTE.
- Adding $1,322,033 Other Funds and $108,493 Federal Funds for small equipment replacement; establishing 10.02 FTE to increase seasonal staff; four permanent positions (3.50 FTE) for park properties at various field locations; and three positions (3.00 FTE) to support engineering and monitoring of facility improvement projects.
- Increasing Other Funds $1,675,000 and Federal Funds $1,465,000 to receive donations and grants from non-federal and federal sources.
- Establishing 14 positions (6.98 FTE) to maintain new or expanded parks. It adds 12 ranger aids for new or expanded parks at Government Island, Champoeg, Fall Creek and the Columbia River Highway. It adds a park ranger for Government Island and a Food Service Manager at the Wolf Creek Inn. The expenditure limitation increase in personal services is offset by an equal reduction in services and supplies.

OPRD – Information Services/Reservations Northwest

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Lottery Funds	0	480,000	290,373	2,081,355
Other Funds	5,347,756	6,387,331	6,776,951	12,334,147
Total	**5,347,756**	**6,867,331**	**7,067,324**	**14,415,502**
Positions (FTE)	29.00	26.00	26.00	32.00

Program Description

- ***Information Services*** (14.00 FTE) provides planning, development and support for all of the Department's business technological applications including the installation, standardization and operation for the Department's desktop and laptop computers, statewide network and internet systems, and operation of the automated reservation system.
- ***Reservations Northwest*** (18.00 FTE) is a reservation booking service that started operations in January 1996. The call center books reservations for 26 Oregon state parks, 21 Oregon state special facility areas, 50 Washington state parks, and 3 Bureau of Land Management parks. The reservation system allows customers to reserve campsites by telephone or Internet up to 11 months in advance. The system also gives customers the ability to make arrangements to stay at multiple locations throughout Oregon and Washington. The Reservations Northwest program also supports the Parks Information Center which provides information on availability of campgrounds and facilities, volunteer programs, special events, publications, ATV and other services provided by the Department.

Revenue Sources and Relationships

Primary funding for this program is through park user fees and Lottery Funds. The Reservations Northwest system is partially funded through a $6 non-refundable fee per reservation.

Budget Environment and Performance Measures

Fourteen park offices have a direct connection to the statewide network. The remaining 46 remote park locations are connected to the network via dial-up, limiting the speed and interactive capabilities. A recent study by Case Associates recommends hardware and infrastructure changes to accommodate converting the Department's accounting to the Statewide Financial Management System (SFMS). Reservation Northwest serves approximately 500,000 callers annually and processes approximately 250,000 reservations on an annual basis. Workloads are seasonally driven and increasing as a result of the Department's marketing efforts to maximize usage of state campgrounds.

A customer satisfaction survey is completed every two years on Reservations Northwest services. The agency plans to develop a performance measurement during the 2001-03 biennium to correlate with the survey results. No other performance measures have been identified for this program.

Governor's Budget

The Governor's recommended budget of $14.4 million is $7.5 million or 110% higher than the 1999-01 estimated budget and $7.3 million or 104% higher than the 2001-03 current service level. The budget adds $1.4 million Lottery Funds and $4.1 million Other Funds from the sale of certificates of participation (COPs) to implement an information technology package that will convert the agency to the State Financial Management System (SFMS) and establish three permanent (3.00 FTE) positions to develop and maintain the network and database. The project will have ongoing biennial maintenance costs estimated to be $1.3 million. Additional enhancements include the following:

- Increasing Other Funds $41,623 to reclassify a number of positions;
- Increasing Other Funds $672,000 to expand the Department's e-mail capacity, replace 25% of the agency's desktop personal computers; and replace approximately one-third of the Department's server equipment. The increase in limitation will establish a base budget replacement cycle for hardware and software.
- Increasing Other Funds $701,788 to establish three positions (3.00 FTE); increase limitation for temporary assistance during peak periods at Reservations Northwest; upgrade the reservation center information system services; and install new servers at each park.
- Increasing Lottery Funds $407,267 for interest payments due on the first issuance of COPs for the financial management information system.

OPRD – State Historic Preservation Office/Oregon Heritage Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	497,254	0	0	0
Lottery Funds	0	1,415,946	1,475,470	1,475,470
Other Funds	82,601	213,843	200,242	251,522
Federal Funds	1,056,091	874,000	935,906	1,198,906
Total	**1,635,946**	**2,503,789**	**2,611,618**	**2,925,898**
Positions (FTE)	8.00	10.40	11.00	13.50

Program Description

- The ***State Historic Preservation Office*** (SHPO) (12.25 FTE) manages and administers all federal and state programs for historic and archeological resource planning and preservation. The program also assists with the development and interpretation of historic and cultural resources in the park system. The Office consists of eight positions, including the Oregon Heritage Commission staff position. Staff administer the federal grant-in-aid program and seven other federal programs under the National Historic Preservation Act. The Office also manages four state programs: the Covered Bridge Rehabilitation and Maintenance Program, in conjunction with the Department of Transportation; the Archeological Permit Program; the Pioneer Cemetery Commission; and the Special Assessment of Historic Properties Program.
- The ***Oregon Heritage Commission*** (1.25 FTE) is the primary state agency for coordination of the state's heritage activities. The Commission, created in 1995, consists of nine voting and eight ex-officio members. The Commission is charged with establishing and implementing an Oregon Heritage Plan for the purpose of

coordinating heritage conservation and avoiding duplication among various interest groups. The Commission coordinates statewide anniversary celebrations, encourages heritage tourism, maintains an inventory of state-owned cultural properties, and coordinates celebrations during the fourth week of Asian American Heritage Month.

Revenue Sources and Relationships

Over 22% of the Department's Federal Funds are received through the State Historic Preservation Office. Over half of the Federal Funds are provided in the form of grants through the federal grant-in-aid program for historic districts and properties on the National Register of Historic Places. Grants are awarded on a reimbursable basis and require a 60% federal/40% state match. Owners of property on the National Register can also apply for a fifteen-year property tax freeze through SHPO. Other funding for these programs is from revenue from archeological permit sales and Lottery Funds.

Budget Environment and Performance Measures

Implementation of the adopted Oregon Heritage Commission plan is dependent on availability of resources. The Heritage Needs Assessment, published in 1998, identifies that $40 million is needed to fund specific projects. It is expected that the plan will reduce duplication and promote efficiencies in the conduct of state heritage activities.

The State Historic Preservation Office workload is driven by the number of applicants for listings on the National Register, applicants for the grant-in-aid program, archaeological permits, and by the number of federal projects requiring review annually (1800/year in 1999-01) for potential impacts on historic and cultural resources.

The agency plans to develop a performance measure that will tie the SHPOs' ability to comply with federal requirements for continued funding. No other performance measures have been identified for this program.

Governor's Budget

The Governor's recommended budget of $2.9 million is $0.4 million or 17% higher than the 1999-01 estimated budget and $0.3 million or 12% higher than the 2001-03 current service level. The budget adds $186,079 Federal Funds to establish two positions (2.00 FTE) to meet federal historic preservation requirements and to support professional staff. The package uses Lottery Funded in-kind services to provide match for Federal Funds. Also recommended is $51,280 Other Funds and $76,921 Federal Funds to establish a Program Technician 2 position (1.00 FTE) to review proposed alterations to historic buildings for conformance to standards. The latter increase is contingent upon passage of a legislative concept to increase fee rates for the historic building special assessment program.

OPRD – Nonlimited

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	1,860,398	3,644,222	3,735,328	3,735,328

Program Description

The Nonlimited program represents activities in park rentals and sales, real estate transactions, and purchases from grants and donations. The nonlimited category is also used for concessionaire and entrepreneurial ventures in parks, such as rental of paddleboats and houseboats, and selling firewood and fire starters. Funds received from the Oregon Parks Trust, used to purchase yurts, for example, also flow through the nonlimited budget. By law, proceeds from the sale of surplus parklands must be used for parkland acquisition or development.

Governor's Budget

The Governor's recommended budget of $3.7 million is funded at the 2001-03 current service level.

Division of State Lands (DSL) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,533,356	36,756	37,583	37,583
Other Funds	10,676,137	11,968,429	12,630,302	13,838,050
Federal Funds	1,353,335	1,394,334	1,419,065	1,522,483
Nonlimited	22,024,628	71,131,310	32,600,000	44,200,000
Total	**37,587,456**	**84,530,829**	**46,686,950**	**59,598,116**
Positions (FTE)	72.47	75.00	71.50	80.50

The Division of State Lands is the administrative arm of the State Land Board. The Land 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 over two million acres of state lands deeded at statehood in trust for education, escheated and forfeited property, and other lands designated by statute. In managing these assets, the Board follows 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." The Division credits earnings to the Fund and twice yearly distributes interest earnings to schools. By statute, related programs, such as removal/fill and wetlands, are assigned to the Division. The Division also manages the South Slough National Estuarine Research Reserve and the Natural Heritage Advisory Council.

DSL – Common School Fund Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,500,000	0	0	0
Other Funds	9,441,255	10,483,746	11,117,986	12,283,050
Federal Funds	373,158	395,000	671,525	671,525
Nonlimited	22,024,628	71,131,310	32,600,000	44,200,000
Total	**35,339,041**	**82,010,056**	**44,389,511**	**57,154,575**
Positions (FTE)	63.21	65.50	63.50	71.50

Program Description

The Common School Fund 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. The lands granted to Oregon originally comprised 6% of the new state's land for the support of schools, plus land for a state university and all of the submerged and submersible lands under tidally-influenced and navigable waterways. Revenues from these lands and any associated mineral, timber, or other resource were dedicated to the Common School Fund. The state holds title to the mineral rights for approximately 4 million acres.

The Common School Fund Program consists of four program units – Field Operations, Policy and Planning, Finance and Administration, and the Director's Office.

- ***Field Operations*** consists of 27 positions providing services related to land ownership, property management, and environmental regulation. The unit is responsible for 640,000 acres of range and agricultural lands in eastern Oregon; 133,000 acres of forest lands mostly in western Oregon; 800,000 acres of submerged and submersible land under navigable rivers, lakes, estuaries, ocean bays and offshore land within the territorial sea; and 700 acres of industrial, commercial, and residential lands. Section staff issue leases, easements, rights-of-way, and licenses for use of state-owned uplands and waterways. Field Operations currently administers 400 waterway leases for log raft storage, marinas, houseboat and barge moorage, and various commercial operations. Field Operations also provides assistance, monitoring, and enforcement for removal-fill activities. The Division administers the state's removal-fill law which requires a permit to remove, fill, or alter more than 50 cubic yards of material within the bed or banks of the state's waterways. Additional protection is provided by the Division on removal and fills of less than 50 cubic yards in essential salmon habitats. All fill and removal activities within the designated state scenic waterways must receive Division review and approval. The Division contracts with the Department of Forestry for management of state owned forest lands.

- ***Policy and Planning*** consists of 13 positions including planners, policy development and regulatory streamlining specialists, geographic information system operators, and wetland resource experts. The section develops long-range management plans and policies, drafts administrative rules, maintains state property records, initiates state ownership determinations including the navigability of waterways, and provides engineering and GIS support for the agency. The Asset Management Plan, adopted by the Land Board in December 1995, provides broad policy direction on the uses of state land, rates of return objectives, and policies for the purchase and sale of state assets. The Policy and Planning section is also responsible for administering the state Wetlands Program.
- ***Finance and Administration*** provides budget development and maintenance, general administrative support, accounting, purchasing, audit, and information systems services with 21 positions. The section also includes the Trust Property Unit that manages forfeited and unclaimed property and probate estates left without wills and known heirs.
- The ***Director's Office*** includes five positions, including the Director, and provides overall agency direction, public information, and personnel training and safety services.

Revenue Sources and Relationships

Common School Fund Programs are financed primarily from Other Funds derived from statutory program operations and Common School Fund investments. Program operations generate revenue from waterway, hydroelectric, and sand and gravel leases, unclaimed property dividends, removal-fill permit fees, periodic land sales, and other revenue from property holdings. Investment income is derived from the interest, dividends, and capital gains earnings from funds invested by the State Treasury according to Oregon Investment Council guidelines. Common School Fund revenues also include receipts from timber harvests on state owned land. The Department of Forestry projects $41.8 million in timber revenue for 2001-03, up $3 million from 1999-01. These revenues are based on projected sale prices and volumes that are subject to changing economic conditions. Revenues from timber harvests, and from other constitutional sources such as grazing, agricultural, and mineral leases, are retained in the Common School Fund as principal, with land management activities supported from the earnings on the investment of the principal.

The Division is proposing legislation to authorize a fee increase in the removal-fill permitting program. Historically, permit revenues covered 25% of the program's costs. Currently, permit fees are covering approximately 15% of program expenditures. The fee was last increased in 1989. For the 2001-03 biennium, removal-fill program costs are expected to be over $2.8 million. Under current law, the Division expects to receive only $0.4 million in permit fee revenue. With the proposed increase, an additional $0.2 million would become available to offset program costs.

Federal Funds are received by the Common School Fund Programs primarily for U.S. Environmental Protection Agency (EPA) support of the wetlands program, including local government wetland inventory grants.

Nonlimited expenditures represent the Division's distribution of revenue from the Common School Fund to counties for the support of public primary and secondary schools. The market value of the Common School Fund totaled approximately $813 million as of June 30, 2000. Earnings from Fund investments are distributed to counties twice per year. Prior to 1997, distributions to schools were allowed to float based on the Fund's non-equity investment earnings. Beginning in 1997, the Land Board fixed the annual distribution at $10 million plus 5% per year to cover enrollment growth and inflation. In response to a resolution passed by the 1999 Legislative Assembly, the Land Board adopted a revised investment earning distribution policy. The new policy is based on a sliding scale for annual distributions between 2% and 5% of the Common School Fund market value as of December 31st of each year. The percentage of distribution is based on the prior year's annual growth rate in Fund market value. The policy took effect with the 1999-00 school year, affecting the December 1999 and June 2000 distribution payments. Distributions for the 1999-00 school year were computed at $35.2 million, followed by a planned distribution of $40.8 million for the 2000-01 school year (to be distributed in equal amounts in December 2000 and June 2001). The total 1999-01 distribution of $76 million exceeded the amount anticipated by the Legislature in determining basic school support by $3 million.

Budget Environment and Performance Measures

The Division's mission is "generating revenue for the Common School Fund while providing sound land management, effective resource conservation, and efficient public service." Various legal and environmental factors can adversely affect the Division's ability to reduce expenses on the Common School Fund revenues. Increasing needs to balance protection, conservation, and development interests tend to raise land management costs. New legal requirements for agency programs, such as the addition of essential salmonid habitat

provisions to the removal-fill law, responses to threatened and endangered species listings, and re-prioritization of efforts due to new initiatives, increase workloads and can affect timber receipts, sand and gravel royalties, and other land and water related revenues
.

The Common School Fund Programs are involved in a legislatively directed effort to streamline the process of administering removal and fill permits to reduce duplication with the federal Section 404/10 U.S. Army Corps of Engineers permitting program. The Division serves as the state clearinghouse for Corps public notices on proposed projects.

Due to the agency's administration of removal-fill activities, the Division is an active participant in the state's efforts to restore salmon populations and improve watersheds. The Division is involved with efforts to improve removal-fill permit compliance monitoring and verification of permit condition effectiveness in steelhead and salmon habitat streams. The Division is working on development of "best management practices" for removal-fill activities and other activities relating to support of the Oregon Plan for Salmon and Watersheds.

The primary performance measures used in the Common School Fund Programs are related to the removal-fill program and wetlands. Within the Oregon Plan, benchmarks were established to measure the effectiveness of the removal-fill and wetlands programs by setting a "no net-loss" of freshwater and estuarine wetlands goal. Based on current measurements, the Division indicates that the state continues to experience a net loss of freshwater wetlands, but is attaining the goal of no net-loss or a net gain of estuarine wetlands.

The Division also measures performance on the basis of monitoring removal-fill permit compliance:

- During the 1997-99 biennium, program staff monitored 13% of permitted removal-fill projects; the goal for 2001-03 is 20 percent.
- During the 1997-99 biennium, 58% of permitted removal-fill projects monitored were in full compliance with the permit conditions; the goal for 2001-03 is 75% in full compliance.

Governor's Budget

The Governor's recommended budget for the Division's Common School Fund Programs totals $57.2 million, an increase of $13 million from the current service level, but down $25 million from 1999-01 estimated expenditures. The majority of the fluctuation is due to the projected transfer of Common School Fund revenues to counties in support of K-12 education. Changing financial market conditions resulted in lower annual growth projections of the Common School Fund value. Since the Land Board adopted a policy of determining distributions for schools based on the Fund's growth performance, the estimated amount of transfer is reduced in the Governor's budget from $71 million in 1999-01 to $44 million in 2001-03. The change from the current service level is the result of updated information on growth rates and Fund market value.

The transfer from the Common School Fund for state school support included in the Governor's recommendation appears optimistic. As of December 31, 1999, the Common School Fund market value was $816 million. The recommended transfer in the Governor's budget is based on projected growth in the Common School Fund market value of 6.31% in 2000 and 5.52% in 2001. These projected rates of growth result in fund market values of $868 million at the end of 2000 and $915 million by the end of 2001. Based on the latest available information from the Division of State Lands, the Common School Fund's market value as of November 30, 2000, was $789 million or 3.32% less than the amount recorded at the end of 1999. Without a change in the Common School Fund distribution policy by the State Land Board, the transfer included in the Governor's recommended budget could be overestimated by at least $10 million.

For program operations, the Governor's recommended budget for 2001-03 shows an increase of 18% from the 1999-01 estimated levels and the addition of 6 FTE. The budget proposes to spend $12.3 million of Common School Fund revenues for these program activities, an increase of $1.8 million from 1999-01 estimated levels and an increase of $1.2 million from current service levels. The recommended budget includes several enhancements to current programs:

- Two positions approved as limited duration for the 1999-01 biennium in the Unclaimed Property program within the Finance and Administration Section are continued as permanent (2 FTE) in the recommended budget. A Fiscal Auditor 1 position is used to generate unclaimed property revenue and to ensure business compliance with unclaimed property regulations. An Office Specialist 1 position working as a Trust Property Assistant is requested to be continued at an Office Specialist 2 level to deal with a claim and reporting backlog and to provide greater flexibility in addressing issues of increasing program complexity. The package is funded with $215,546 Other Funds from Common School Fund revenues.

- The reclassification of 13 positions, including the Director, 3 Assistant Directors, 3 Program Managers, the Personnel Manager, and 5 support/program positions at a total cost of $95,057 for the 2001-03 biennium is included in the recommended budget. The reclassifications are proposed on the basis of audits identifying that the staff are either performing duties at higher levels than currently classified or that the workload indicates a need to assign a higher level of classification to the position. The package is funded with Common School Fund revenues (Other Funds).
- Two new permanent and two new limited duration positions (4 FTE) are established in the Field Operations Section to support land and resource management obligations. The positions include 2 Natural Resource Specialists, an Office Specialist, and a Data Entry Operator. One of the Natural Resource Specialists will serve as a Natural Resource Coordinator to perform new lease development, administration, and monitoring. The other Natural Resource Specialist will serve as a Range Conservation Specialist to perform range management including rangeland health and improvement. The limited duration clerical and data entry positions will provide general program support and entry of Land Administration System data. The package is funded with $399,179 Other Funds from Common School Fund programs.
- One new permanent position (1 FTE) is added to the Policy and Planning Section to promote the conservation, enhancement, and creation of wetlands through voluntary efforts by assisting cooperating landowners. The Natural Resource Specialist 3 position would serve as a non-regulatory Wetland Restoration Specialist to plan and development wetland restoration projects. The position is funded with $129,574 Other Funds from Common School Fund revenues. The package also includes a request for $125,000 Other Funds expenditure limitation for grant funds received by the Division from the Oregon Watershed Enhancement Board in the 1999-01 biennium. The funds will be used for direct grants to local governments for wetland inventories ($25,000) and for professional services to provide assistance under the Division's management ($100,000).
- One new permanent position (1 FTE) is established in the Unclaimed Property program within the Finance and Administration Section to service claims, process inquiries, and locate owners in a timely fashion. The Office Specialist 2 position would be used to help locate owners of unclaimed property as a service to the public. The position is funded with $80,708 Other Funds from Common School Fund revenues.
- The purchase of hardware and software upgrades and replacement of the Division's Information Systems and Geographic Information Systems (GIS) infrastructure is included in the recommended budget. The package is funded with a total of $120,000 Other Funds from Common School Fund revenues including $40,000 for data processing software, $30,000 for professional services, $30,000 for expendable property, and $20,000 for data processing hardware. The replacement and upgrades cover agency network servers, printers, operating system software, security firewall, and memory upgrades for staff workstations. The package also includes purchase of GIS software, digital aerial photography manipulation software, digital photographic data, GIS map data, and software to distribute the map products to clients and the public.

DSL – South Slough National Estuarine Research Reserve

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	884,426	917,396	935,848	978,532
Federal Funds	950,345	931,721	678,237	781,655
Total	**1,834,771**	**1,849,117**	**1,614,085**	**1,760,187**
Positions (FTE)	9.26	9.50	8.00	9.00

Program Description

The 4,800 acre South Slough National Estuarine Research Reserve (SSNERR) is part of the National Estuarine Research Reserve System established by the Coastal Zone Management Act of 1972. The 24 estuarine sites in the national system are administered in a partnership with the states and the U.S. Department of Commerce's National Oceanic and Atmospheric Administration (NOAA). The national reserve system was created to preserve representative estuarine types and provide opportunities for education and research.

The South Slough is a tidal inlet of the Coos estuary six miles southwest of Coos Bay. The SSNERR consists of 1,000 acres of tidelands and open water surrounded by a 3,800 acre upland border, and includes five structures and seven miles of roads and trails. The South Slough reserve was designated in 1974 as the first National Estuarine Research Reserve in the U.S. SSNERR operates an interpretive center and maintains nature trails for hikers and canoeists. The Reserve conducts a variety of research, educational, and stewardship programs. An estimated 25,000 individuals visit the Reserve annually, including school age children to participate in educational program offerings. SSNERR also serves as a summer work site for Job Training Partnership Act and Youth Conservation Corps programs.

Revenue Sources and Relationships

The largest Other Funds source supporting the Reserve is the Common School Fund, which was substituted in 1993 for one-half of the General Fund operating budget. The 1997 Legislature replaced all General Fund in the South Slough Reserve budget with Common School Fund revenues and transferred ownership of the Reserve to the Common School Fund. Other Fund revenues also include grants, donations, and service charges.

Federal Funds are received through NOAA in the form of grants for operations and special projects. State match rates generally range between 30 to 50%, depending on the individual grant. The Reserve's operating budget, tideland property valuation, and donations all qualify as match. SSNERR has statutory authority to apply for grants and regularly submits such requests through NOAA's Office of Coastal Resource Management. Federal revenues for the ongoing operations grant are projected to continue at previously authorized levels. The Division has been successful in obtaining additional grant funds for projects, but the amounts are difficult to project due to the uncertainties surrounding the availability and timing of such federal grants.

Budget Environment and Performance Measures

Public participation in South Slough programs has increased dramatically causing staff to join with other state, local, and federal agencies to investigate the creation of a jointly sponsored coastal natural resources learning center. SSNERR expects to experience a continued increase in visitor use, especially from school field trips due to experience based educational efforts and from the developing ecotourism industry in the South Coast region.

In recognition of the Reserve's educational opportunities for K-12, the Legislature added the South Slough Estuarine Reserve to the statutory definition of "school lands" (Chapter 321, Oregon Laws 1997) to secure Common School Funds for the operation and maintenance of the SSNERR property. The law requires that any proceeds from sale of the property would go to the Common School Fund.

The Reserve also provides services to the state's higher education system. SSNERR maintains a Memorandum of Understanding with the University of Oregon's Institute of Marine Biology to share administrative resources and laboratory facilities. Reserve staff provide technical and logistical support to visiting scientists and scholars conducting research at SSNERR.

Services are provided at the Reserve by eight staff positions. Two long standing limited duration positions (Land Steward and Educational Assistant) were granted permanent status in the 1999-01 Legislatively Adopted Budget. The Legislature expressed a concern regarding the initial establishment of positions with federal funding followed by a subsequent requirement of a matching amount from the state. Staffing at SSNERR is augmented by the use of volunteers, seasonal employees, and temporary staff. Temporary positions are funded through grants and cooperative agreements to provide support for education, research, and stewardship programs. The temporary staffing and number of volunteers vary with the seasons and the nature of grant projects.

No performance measures for the South Slough National Estuarine Research Reserve have been established.

Governor's Budget

The Governor's recommended budget for the South Slough National Estuarine Research Reserve totals $1.76 million, a decline of 5% from 1999-01 estimated levels. The decline is due to the elimination of one-time expenses in the 1999-01 budget for vehicle acquisition and for federally funded renovation work on the South Slough Interpretive Center. Despite the decline in Federal Funds, the recommended Other Funds budget of $978,000 is nearly 7% higher than 1999-01 estimated expenditures.

The recommended budget includes the addition of a new permanent position (1 FTE) for support of cooperative programs developed with the Reserve's federal partner. The Program Representative 1 position would serve as a Public Services Coordinator with responsibility for providing visitors with information and related services, coordinating and recruiting volunteers at the Reserve, and making educational information about the Reserve and its programs available to the general public. The budget proposes to fund the position with a combination of Federal Funds ($100,000) and Other Funds ($33,330) from Common School Fund revenues.

Two position reclassifications at the Reserve are also included in the recommended budget. The Land Steward and Office Manager positions were found to be performing duties at higher levels than currently classified, according to the Division. The reclassifications are funded by a combination of Federal Funds ($3,418) and Other Funds ($9,354) from Common School Fund revenues.

DSL – Natural Heritage Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	33,356	36,756	37,583	37,583
Other Funds	1,232	1,278	1,309	1,309
Federal Funds	29,832	67,613	69,303	69,303
Total	**64,420**	**105,647**	**108,195**	**108,195**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The state's Natural Heritage Act was passed by the Legislature in 1979 establishing a program to create a discrete and limited system of natural heritage conservation areas selected to represent the full range of Oregon's natural heritage resources. The Natural Heritage Program includes the development of the Oregon Natural Heritage Plan, maintenance of a natural heritage data bank, and the registration and dedication of natural heritage conservation areas. The Act also requires that all conservation efforts be voluntary on the part of the land owner or public land manager and that resources are to be protected, whenever feasible, on public lands allocated primarily to special non-commodity uses (such as parks, preserves, and wilderness areas).

The 17-member Natural Heritage Advisory Council (NHAC) assists the State Land Board in implementing the mandates of the state's Natural Heritage Act. The Division is responsible for maintaining a council office and a data bank of significant natural heritage sites. These program operations are provided through a contract between NHAC and The Nature Conservancy. DSL provides basic administrative support for NHAC. The data bank information assists governmental agencies, private consultants, and individuals with obtaining information about the known location and extent of threatened and endangered species and unique or sensitive natural areas to guide decisions on project planning and land management. NHAC is also responsible for administration of the Threatened and Endangered Invertebrate Program and works cooperatively with the U.S. Fish and Wildlife Service to conduct studies and recovery actions on threatened and endangered invertebrate species within the state.

Revenue Sources and Relationships

The Natural Heritage Program receives the only General Fund provided to the Division of State Lands. Other Funds revenue represents charges from five natural resource agencies for database services. Federal Funds are received primarily from the U.S. Fish and Wildlife Service for research and special projects grants on invertebrates and management techniques to protect rare, threatened, and endangered species. During the 1999 interim, the Natural Heritage Program was also awarded an Oregon Watershed Enhancement Board (OWEB) grant in the amount of $391,580 for data management on threatened and endangered species and inventories of resources on state-owned lands.

Budget Environment and Performance Measures

The Council periodically identifies areas that qualify for registration as a natural heritage area. Areas used in commodity production are avoided. Landowner written permission is required before any private land can be added to the register. Registration is only an acknowledgment that the site is one of significant natural character and makes the site available for possible future dedication or other voluntary protection. State law allows any private individual or organization owning a registered natural area to voluntarily dedicate that area as a natural heritage conservation area with the State Land Board. Public agencies can dedicate lands, following public notice and hearing. Procedures for the dedication of lands owned by the State of Oregon as natural heritage conservation areas are required to be established by the Land Board, Board of Forestry, Fish and Wildlife Commission, Transportation Commission, Board of Higher Education, and the Parks and Recreation Commission, with the advice of the Natural Heritage Advisory Council. As of July 1998, the statewide register of natural heritage resources contained 71 sites including 7 dedicated as natural heritage conservation areas. Three areas under the Land Board's jurisdiction (part of Onion Peak in Clatsop County, Winchuck Slope in Curry County, and the summit of Steens Mountain in Harney County) are included as dedicated natural heritage conservation areas.

The delivery of Natural Heritage Program services received legislative attention during the 1999-01 interim. While approving an Other Funds expenditure limitation increase to accommodate the grant received from OWEB, the Emergency Board directed the Division to investigate options for moving the database management function from a contract with The Nature Conservancy to a state agency, preferably the Division itself or Oregon State University. The Division reported on these options to the Emergency Board and the Joint Interim Committee on Stream Restoration and Species Recovery in September 2000. The Land Board approved authorization for the Division to enter into negotiations with Oregon State University for the management of the Oregon Natural Heritage Program. The contract with The Nature Conservancy expires on August 31, 2001, but can be terminated at any time by mutual written consent or by the Division with 30 days notice.

No performance measures have been established for the Natural Heritage Program.

Governor's Budget

The Governor's recommended budget for the Natural Heritage Program continues the program's activities at the current service level. The recommended budget includes $38,000 General Fund used to finance the attendance and travel expenses of Council members and to support contracted staff assistance for the Council. Federal Funds are anticipated to provide two-thirds of the program's recommended budget. The recommended budget does not accommodate continuation of the funding received by the program during the 1999-01 interim in the form of an Oregon Watershed Enhancement Board grant for database development.

DSL – Oregon Wetlands Revolving Fund

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	116,000	200,000	200,000	200,000
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Oregon Wetlands Mitigation Bank Revolving Fund Account was established by the Legislature in 1987 to provide the financial resources to acquire wetland banking and wetland mitigation sites, to accomplish wetland restoration, enhancement, and creation, and to cover administrative costs. The first mitigation bank was established in Astoria during the 1985 biennium with a federal grant. The Fund was established to be a repository for contributions and proceeds related to wetland mitigation banks.

A mitigation bank is a wetland site created or restored by a public or private entity to establish wetland value credits. The credits represent biological values expressed in the form of dollars. Any entity proposing to fill wetlands must provide mitigation by restoring, creating, or enhancing wetlands or by purchasing credits from an existing mitigation bank. Legislation passed in 1995 allowed private mitigation banks to be established under rules adopted by the Land Board.

Revenue Sources and Relationships

The Wetland Mitigation Bank Revolving Fund Account allows for payments, called "Payment-To-Provide" mitigation funds, that can be used by removal-fill applicants with permissible projects having a wetland impact, but who cannot perform the required mitigation. The funds in the account are then used to create, restore, or enhance wetlands in the region of the permitted impact, if possible. After a two-year period, the funds can be used anywhere in the state for wetland creation, restoration, or enhancement.

Budget Environment and Performance Measures

The Division is experiencing increasing levels of activity out of the revolving fund. Through the spring of 2000, a total of ten projects had been approved and completed using $385,000 of account proceeds. The Division identified eight other potential projects requesting a total of $578,000. The Emergency Board authorized a $600,000 Other Funds expenditure increase for the Wetlands Mitigation Bank in June 2000 to accommodate these additional projects. The Division had been directed by a budget note in the 1999-01 Legislatively Adopted Budget to expand the use of the mitigation bank and to make the bank more "user friendly" with improvements in assistance to potential users. The Division will continue to collect revenue in the account as mitigation payments are made and seek additional expenditure limitation as new projects are identified.

Although there are no performance measures specifically developed for the Wetlands Mitigation Bank, the activities of the program are directly related to the "no net-loss" of freshwater and estuarine wetlands measure used in the Common School Fund Program unit.

Governor's Budget

The Governor's recommended budget for the Oregon Wetlands Revolving Fund continues program activities at the current service level of $200,000 Other Funds. If increases in Revolving Fund activity occur during the 2001-03 biennium, the Emergency Board can accommodate adjustments to the program's expenditure limitation.

DSL – Capital Improvements/Common School Fund

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	233,224	366,009	375,159	375,159
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Division of State Lands owns and manages property as assets of the Common School Fund. The Land Board adopted an Asset Management Plan in 1995 that includes strategies for enhancing the revenue producing capability of Common School Fund assets through capital improvements and property maintenance. Expenditures in this program include small infrastructure design and construction projects, facilities rehabilitation, general maintenance and repair, and response to environmental hazards.

Revenue Sources and Relationships

The Division's capital improvement expenditures are financed by Common School Fund revenues.

Budget Environment and Performance Measures

As a property manager, the Division must provide maintenance of assets to enhance their revenue production and to protect and improve the resource productivity. Examples of Division capital improvement expenditures include the reinvestment of a portion of grazing lease fees for rangeland health and productivity improvements.

Governor's Budget

The Governor's recommended budget for Common School Fund capital improvements is funded at the current service level. The total of $375,000 Other Funds represents the authorized inflationary increase over the 1999-01 estimated expenditures.

Water Resources Department (WRD) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	19,769,156	21,053,240	22,162,199	22,045,387
Lottery Funds	165,537	0	0	0
Other Funds	3,567,870	3,674,122	3,897,590	5,839,858
Federal Funds	91,002	416,652	515,000	515,000
Nonlimited	2,798,286	1,827,944	1,122,688	1,122,688
Total	**26,391,851**	**26,971,958**	**27,697,477**	**29,522,933**
Positions (FTE)	161.09	155.09	147.09	147.53

The Water Resources Department (WRD), guided by its seven-member Commission, sets water policy for the state and issues and protects water rights. By law, all surface and groundwater in Oregon belongs to the public. The agency 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. Agency clients include the general public, water right holders and applicants, irrigation districts, well owners and constructors, drinking water suppliers, property buyers and sellers, environmental groups, and government agencies. The 1999 Legislature eliminated the Governor's Watershed Enhancement Board and created the Oregon Watershed Enhancement Board (OWEB). Although the WRD will continue to supply some administrative and accounting support to OWEB, the new agency will not be part of WRDs organizational budget structure.

Budget Environment and Performance Measures

The Water Resources Department the Endangered Species Act and other environmental regulations have brought new challenges and have raised the complexity of water allocation decisions. Continued growth in population and industry will intensify demands on scare water resources throughout the state. Storage, groundwater sources, improvements in water use efficiencies, water right transfers, and cooperation between agencies, water users, and interest groups will be increasingly important in meeting future water needs. The Commission adopted the Department's first Strategic Plan in 1995 as a means of describing the management, legislative, and budget requirements necessary to achieve its stewardship and supply goals. The Strategic Plan was revised in January, 1999 and further updates will be made each biennium.

WRD – Administrative Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,237,315	2,528,989	2,747,574	2,494,964
Other Funds	69,987	201,889	161,182	186,721
Total	**2,307,302**	**2,730,878**	**2,908,756**	**2,681,685**
Positions (FTE)	13.00	13.00	13.00	11.00

Program Description

The Administrative Services Division manages the business and administrative operations of the agency by providing human resource, accounting, payroll, contracting, facilities management, risk management, and training services. The Division is responsible for budget preparation and execution, and coordination of transportation and telecommunications for the Department. The Division also provides management oversight for the Water Development Loan Program and administrative support (accounting, human resources, budgeting, and financial reporting) for the Governor's Watershed Enhancement Board.

Revenue Sources and Relationships

The Division is primarily funded with General Fund, but receives Other Funds revenue from charges for services and sales of publications and surplus property.

Budget Environment and Performance Measures

The Division is working to secure new office facilities for the agency. The current building has inefficient heating, does not meet seismic standards, and does not have sufficient office space for projected needs of the agency. Relocation to the new North Mall Complex is planned during the 2001-2003 biennium.

Administrative transactions (such as accounts payable) completed per administrative FTE provide a workload indicator for the Division. Administrative transactions have increased from 672 per year in 1998 to 826 in 2000, a 23% increase. The Division will be working to improve efficiency to reach its 5 year target of 757 transactions per FTE per year.

Governor's Budget

The Governor's recommended budget for the Administrative Services Division is 7.8% below the current service level. The recommended budget includes program reductions of $252,610 General Fund that reduce staffing by 2 FTE. One position involves consolidating a receptionist and mailroom position. The other FTE reduction eliminates the employee development position that currently provides training, assessments, and statistical reporting for the Department. Other General Fund reductions include a $40,000 savings from elimination of the Department's 1-800 number, a $10,000 reduction in miscellaneous services and supplies, and a $20,000 savings from a reduction in copiers throughout the agency. The budget also includes additional administrative support for the Oregon Watershed Enhancement Board. The additional $25,539 Other Funds will allow the reclassification of a clerical position to an accounting professional level, allowing the agency to address more complicated financial funding and reporting issues.

WRD – Field Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	7,233,329	8,251,929	8,598,682	8,408,952
Other Funds	995,491	976,213	946,985	1,296,985
Federal Funds	0	2,150	0	0
Total	**8,228,820**	**9,230,292**	**9,545,667**	**9,705,937**
Positions (FTE)	66.97	65.88	64.88	63.03

Program Description

The Field Services Division administers all water laws, including dam safety and well construction standards, by a regulation and enforcement program. The Division regulates water use in order to protect senior water rights for both instream and out-of-stream purposes. The Department organized the state's 20 watermaster districts into five regions for more efficient use of field personnel. Field staff include region managers, watermasters, technicians, and locally-funded assistants who are responsible for dam safety inspections, enforcing water distribution among water right holders, processing water right transfers, hydrologic data gathering, well construction inspections, well monitoring, water right record maintenance, water development loan inspections, and responses to other requests from outside and within the Department. In 1999, the Agency reorganized, eliminating the Resource Management Division. Field liaisons from the former Resource Management Division were assigned to the Field Services Division. Liaisons work 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 to back to the Department.

Revenue Sources and Relationships

Field Division activities are primarily supported by the General Fund. Revenue from start card fees (well drilling) provide nearly half of the Division's Other Funds. Additional Other Funds sources include interest earnings and revenue from the U. S. Geological Survey and Bureau of Reclamation for contracted services. Federal Funds from the Bureau of Reclamation are used for various grants to irrigation districts for mapping and other projects.

Budget Environment and Performance Measures

As the demands for water to support economic development, agriculture, restoration of natural fish population, and other uses increase, the need for accurate and complete information on the location, supply, and quality of water sources within the state intensifies. The Department's emphasis on water management and additional statutory obligations are generating additional workload and demands for field enforcement activities.

Field activities are largely dependent on the state's watermasters and their relationships to local communities. Counties are required to provide office space for the state watermasters and are asked to provide clerical support and assistant watermasters. Due to local government budget constraints, the amount of assistance provided to the state's watermasters by local partners has declined in recent years. As of July 2000, 13 assistant watermasters and 10 other staff (mostly clerical) were funded locally compared to a high of 37 locally-funded assistant watermasters in 1981.

The Field Services Division is responsible for processing water right permit transfers. Final decisions are made on an average of 260 transfer files per year, just exceeding the 250 new transfer applications received annually. There is a backlog of 500 transfer applications waiting for final decisions. Another area facing workload challenges is well inspection. Of the 5,000 to 6,000 new wells constructed per year, only about 25% are inspected.

The Division has developed various measures of workload and efficiency. The number of final orders (water right applications, permits, certificates, and transfer final orders) issued per FTE involved in these areas has grown from 27.3 per year FTE in 1997 to 46.5 FTE in 1999. Within 5 years, the Department hopes to increase order processing efficiency to 70 transactions per FTE per year. Effectiveness of field presence is measured by how well field representatives communicate with water users while enforcing the water laws of the state. The Division measures this by tracking the number of visits associated with a violation or regulatory action. Their goal is to enforce these actions 100% of the time without the need for a contested case (formal hearing or trial). In 1999 the Division resolved 99.9% of violations and the associated regulatory actions without a contested case.

Governor's Budget

The Governor's budget for the Field Services Division is 5.1% over 1999-01 estimated expenditures and 1.7% above 2001-03 current service levels. The budget includes a $189, 730 reduction package that reduces General Fund by 2.21% and reduces staffing by 1.85 FTE. The reductions include the elimination of a clerical support position in the Eastern region (0.5 FTE), the abolishment of a full-time field water rights technician in the south-west region, and the reduction of a regional support position (.35 FTE) in the north central region. The reductions include $30,500 in computer and measuring equipment replacement and reduced travel. These reductions will slow region efforts in processing transfers and completing other transactions. The budget adds $350,000 Other Funds to facilitate contract partnerships with other agencies, quasi-municipal, municipal, county and cooperative federal entities to leverage resources.

WRD – Technical Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,970,311	5,869,722	6,366,794	6,538,640
Lottery Funds	165,537	0	0	0
Other Funds	838,018	1,038,899	1,328,617	2,872,187
Federal Funds	91,002	414,502	515,000	515,000
Total	**6,064,868**	**7,323,123**	**8,210,411**	**9,925,827**
Positions (FTE)	39.96	40.00	39.00	43.00

Program Description

The Technical Services Division is responsible for managing 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 groundwater and surface water resources. Technical Services consists of Engineering Services, Measurement Services, Enforcement / Well Construction, Information Services, and the Groundwater / Hydrology Section. Programs include hydrologic analysis, groundwater investigations, surface water availability, hydrographics, dam safety, stream gauging, geographic and water rights information systems, well construction and enforcement, water use reporting, and coordination with other agencies on surface and groundwater issues.

Revenue Sources and Relationships

General Fund supports the majority of Technical Services Division activities. Revenue from start card fees (well drilling) provides nearly half of the Division's Other Funds. Additional Other Funds sources include interest earnings and revenue from the U. S. Geological Survey and Bureau of Reclamation for contracted services. Federal Funds from the Bureau of Reclamation are used for various grants to irrigation districts for mapping and other projects. Lottery Funds were used in 1995-97 to support water supply projects including groundwater studies, water right mapping, and information systems development, and to partially fund several hydrogeologist positions within the Division. The hydrogeologist positions were continued in 1997-99, but funded with General Fund resources. Lottery Funds requested for 2001-03 fund 4 positions for installation and maintenance of new stream gauging stations to aid in flood predictions, water availability assessment, and water quality assessment.

Budget Environment and Performance Measures

As the demands for water to support economic development, agriculture, restoration of natural fish population, and other uses increase, the need for accurate and complete information on the location, supply, and quality of water sources within the state intensifies. The Department's emphasis on water management and additional statutory obligations are generating additional workload and demands for technical services activities.

Performance measures include the percent of key rivers monitored for in-stream water rights. In 2000, the Division monitored water levels on 31% of streams throughout the state. The five-year goal is 100% monitoring of in-stream water rights. Another measure shows the percent of water level and water rights data that is entered into databases and made available to the public. While the Division goal is to make 100% of the data available, data is not always in electronic format initially and must be converted into the right format. During 2000, 53% of the data was provided in electronic format (Internet) to the public. The Division also tracks web site hits as a measure of how successful they are in making information available to the public. In 2000, over 331,000 hits were made on the Department's web site. A 20% growth in web site hits is expected 2001-2003 biennium.

Governor's Budget

The Governor's All Funds budget for the Technical Services Division is 35.5% above 1999-01 estimated expenditures and 20.9% above the 2001-03 current service level. The recommended General Fund increases 2.7% above the 2001-03 current service level. The budget includes a reduction package that reduces General Fund by $328,154. Included in this reduction is $100,000 in reduced support for the Joint Task Force on Water Supply and Conservation set up by SB 93. The reduction in task force support eliminates funding for a demonstration project and reduces the resources available to develop legislation. As the budget for this support was originally provided in the Director's Office, a $100,000 General Fund technical adjustment will be needed to the Technical Services Division with a corresponding reduction in the Director's Office budget. Further reduction packages include a 20% decrease in funding for contracted ground water studies amounting to $197,500 General Fund. As a result of this reduction, contracts with the U.S. Geological Survey will be reduced and completion of the Willamette and Klamath groundwater studies will be extended. A $30,654 General Fund reduction in computer replacement was also made.

The Stewardship and Supply initiative proposes development of a statewide inventory of surface storage sites, a ground water storage assessment, and basin hydrology assessments for use by water users, watershed councils, local governments and other planners. As part of this initiative, full time hydrogeologist, engineer, and information services permanent positions are included to begin the basin-wide assessment of each river basin in the state. The proposed initiative is funded with $500,000 General Fund and $500,000 Other Funds.

The budget also includes $450,000 General Fund to process the backlog of hydrographic records to quantify and model the availability of surface water in Oregon. An additional $93,570 is included for the Start Card Program to upgrade the Ground Water Information Distribution System data base and provide permanent funding for a data entry position which is currently limited duration. The agency seeks contract partnerships with municipal, county and federal entities to leverage resources. A package of $500,000 Other Funds is included to facilitate collection and expenditure of small sources of funds from these other agencies.

WRD – Water Rights/Adjudication Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,731,327	2,026,236	1,849,475	2,134,687
Other Funds	1,323,595	1,261,396	1,063,466	1,086,624
Total	**3,054,922**	**3,287,632**	**2,912,941**	**3,221,311**
Positions (FTE)	30.33	27.21	21.21	22.50

Program Description

The Water Rights/Adjudication Division is responsible for evaluating both instream and out-of-stream water right applications and issuing new water right permits and certificates. Besides the actual permitting process, the Division also administers water right related programs such as water right certification, permit administration, water right transfers, Native American water right negotiations, adjudication of pre-1909 and federal reserved water rights, and hydroelectric licensing. The Division is also responsible for providing public information and customer service, responding to public inquiries, and distributing the notice of applications as well as water right program and policy development.

The Hydroelectric Section has the lead responsibility for Oregon's hydroelectric water right and licensing program. Approximately 160 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.

The Division continues its efforts in the Klamath Basin General Stream Adjudication, a complex situation involving claims for individual, Tribal, and federal water rights along with many resource and supply issues. The Department recently received more than 5,600 legal contests to approximately 680 claims. Open inspection of all claims and the determinations of the Department occurred in October 1999. After the open inspection period, contests to the claims were filed with the Department in April/May 2000. The Department will schedule and conduct contested case hearings for all contests not resolved through an alternative dispute resolution (ADR) process. Adjudication staff assist with hearings, accomplish field surveys, and work with claimants to resolve issues related to disputed claims. As agreements are reached and as circuit courts issue decrees regarding the stream basin water rights, the Division will prepare and issue the associated water right certificates.

Revenue Sources and Relationships

The Water Rights/Adjudication Division receives General Fund support for program functions conducted in the public interest such as processing instream water right applications. The primary Other Fund revenue sources include water right application fees, water right transfer fees, and hydroelectric licensing fees.

The 1997 Legislature provided $545,000 General Fund to reduce the amount of proposed fee increases for water right applications, permits, and transfers (HB 2135). The fee increase was designed to increase Other Funds revenues to offset shortfalls in the water rights program. The legislation establishing the fee increase also represented a fee structure change to a system that bases the amount of the fee on the quantity of water requested.

The 1997 Legislature also approved a hydroelectric reauthorization measure (HB 2119) that included fees for hydroelectric annual license fees and power claim fees. The revenue from these fees is dedicated toward implementation and coordination of a system to evaluate proposals for the reauthorization of hydroelectric power projects. The reauthorization process is being conducted in conjunction with the federal relicensing process for approximately 40 of the facilities.

The 1999 Legislature provided additional General Fund totaling $1,077,737 for continuation determination of water rights in the Klamath Basin General Stream Adjudication.

Budget Environment and Performance Measures

Legislation passed in 1995 (SB 674) revised the water rights application process and enabled the Department to eliminate a persistent backlog of applications. As part of the new process, applicants or the public can file protests and request a contested case hearing. The agency is using the Alternative Dispute Resolution process in an effort to settle protests before taking the case to the more costly hearing process. Elimination of the water right application backlog generated a backlog of permits needing certification. Nearly 2,000 of the permits require filed surveys by Certified Water Rights Examiners. Several new types of water right transfers designed to increase the flexibility for water users have also increased the Division's transfer workload and have created a backlog of transfer applications.

Water right applications are expected to remain stable for 2001-2003, however, as less water is available for appropriation, the application review process is becoming more complex. The agency anticipates roughly 100 protests for the biennium. The alternative dispute resolution process successfully resolves approximately 90% of the protests, thereby greatly reducing the need for expensive contested case hearings.

Performance measures include measuring the effectiveness of the agency's dispute resolution process. As contested cases or trials are far more costly than resolution by other means, the Department has a goal of resolving 100% of protested final orders without a contested case. In 1999, 98.3% of protested final orders were resolved without a contested case or trial. Another measure follows the percent of contested formal enforcement actions that are resolved without trial or court action. The department is currently achieving a 35% resolution rate in these actions for 2000 towards a goal of 50 percent.

Governor's Budget

The Governor's budget for the Water Rights / Adjudication Division is 10.6% above the 2001-03 current service level. The budget increases the General Fund by 15.4% and staffing by 1.29 FTE. A reduction package abolishes 2 certificate positions, effectively eliminating the Department's ability to address the current backlog or issue new water rights certificates. Instead, resources will be applied toward the more immediate need of processing water right transfers. Reductions of $5,000 General Fund are also being made to miscellaneous services and supplies in the Division.

Additional funding of $500,000 General Fund and $500,000 Other Funds is included to continue the Klamath Basin adjudication effort at a reduced level. The package continues the funding for three limited duration positions. The budget also includes $23,158 Other Funds to provide reclassification of a .70 FTE position in the Division to a full time position to meet increased workload.

WRD – Director's Office

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,647,607	1,826,364	2,049,674	1,918,144
Other Funds	0	83,725	3,470	3,470
Nonlimited	0	0	0	1
Total	**1,647,607**	**1,910,089**	**2,053,144**	**1,921,615**
Positions (FTE)	8.83	7.00	7.00	6.00

Program Description

The Director's Office is responsible for the oversight of all policy-related functions of the agency. The Office develops and updates the agency's strategic plan, conducts all contested case hearings on water right issues and enforcement actions, and coordinates the development of administrative rules. The Office also provides citizen response and information services, supports the Water Resources Commission activities, develops legislative proposals, tracks legislative implementation, and provides oversight of agency activities related to the Oregon Plan for restoration of salmon and watersheds.

Revenue Sources and Relationships

With the exception of small amounts of miscellaneous Other Funds revenue from publication and copy fees, the Director's Office is supported by a General Fund appropriation.

Budget Environment and Performance Measures

The Director's Office was created in a 1993 reorganization intended to provide additional internal controls and improve performance in key areas and projects affecting the entire agency. The Office has performed a central role in the Klamath Basin Adjudication. A permanent hearings officer position within the office is the agency's expert on water law and agency processes. The hearings officer provides pre-hearing conferences with parties in contested cases, schedules hearings, and drafts proposed and final orders. Due to the volume of cases, the Department still must contract for hearings officers from other agencies at times when the amount of pending cases warrants outside assistance.

Performance measures include a diversity measure that demonstrates the Department's progress toward achieving a diversified workforce on parity with the general population. In 1997, 74% of parity was achieved. A parity percentage of 67% was achieved in 2000. The Department has set a parity target of 85% as its five-year target.

Governor's Budget

The Governor's budget for the Director's Office is a 6.4% decrease from the 2001-03 current service level. The budget reduces staffing by 1 FTE, and eliminates the agency's public information position, saving $126,530 General Fund. The loss of this position will reduce the Department's ability to provide public outreach and education, develop strategic plans, and provide web site information to the public. Miscellaneous services and supplies were also reduced by $5,000 General Fund.

A reduction in support to the Joint Task Force on Water Supply and Conservation eliminates $100,000 General Fund for a demonstration project and reduces the resources available to develop legislation. As this reduction was made in the Technical Services Division in the Governor's recommended budget, a technical adjustment is needed to move the reduction to the Director's Office where the budget for the support of the task force currently resides.

The budget includes a $1 placeholder for a water management and mitigation bank pilot project. Authorization is sought for reclassification of one position in the Division, although no funding is budgeted for the reclassification.

WRD – Water Development Loan Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,949,267	550,000	550,000	550,000
Other Funds	340,779	112,000	393,871	393,871
Nonlimited	2,798,286	1,827,944	1,122,687	1,122,687
Total	**5,088,332**	**2,489,944**	**2,066,558**	**2,066,558**
Positions (FTE)	2.00	2.00	2.00	2.00

Program Description

The Water Development Loan Program was 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. To date, the Water Development Loan Program has reviewed 320 loan applications and funded 181 loans. Of the approved loans, 176 were for irrigation and drainage projects; the five remaining loans were for the development of community water supply systems.

The Loan Program issued state general obligation refunding bonds in 1991 for $6.9 million that were used to pay off existing outstanding bonded debt at higher interest rates. Bonds have not been issued to finance new water development projects since 1984. The program has not funded any projects since 1984.

Revenue Sources and Relationships

The limited Other Funds expenditures are for administrative costs, including the program's two staff, agency loan management, and contracts for financial services. These costs are financed from sinking fund interest earnings. Nonlimited expenditures include debt service, bond sale costs, and spending authority for any bond sales. The 1999 Legislature provided authorization for up to a $20 million bond sale in the bond appropriation bill but required the program to visit the Emergency Board prior to issuing debt. The need for a bond sale depends on the level of loan application activity. The General Fund appropriation supplements Other Funds revenue to maintain solvency in the program that includes administrative costs and debt service shortfalls. The Legislature provided General Fund appropriations of $2.6 million for 1993-95, $2.5 million for 1995-97, and $1.9 million for 1997-99 to maintain Loan Fund solvency. In 1999, the Legislature scheduled infusion payments for the ensuing five biennial periods, the current infusion being $550,000 General Fund.

Budget Environment and Performance Measures

The Water Development Loan Program experienced cash flow difficulties from defaulted loans and a class action lawsuit filed in December 1991. The Lake County Circuit Court ruled in favor of the borrowers, and a settlement was reached. At its January 1996 meeting, the Emergency Board approved the transfer of $1.3 million of Nonlimited Debt Service to the agency's operating budget to pay for the settlement costs of the class action lawsuit. The settlement limited administrative costs to $50,000 per year. The state retains responsibility for all administrative costs beyond this amount and for any debt service shortfalls until the loans are retired. During the 1999 Legislative session, the Department estimated needing $2 million to fund unexpected early loan payoffs, foreclosures, and other administrative costs through the remaining life of the current bond portfolio extending to 2014. The approved budget recommended a series of 5 biennial payments of $550,000 General Fund to achieve the same effect. As of December, 2000, cash flow projections indicate that the $550,000 biennial supplemental amount for 2001-2003, together with other fund balances will be adequate to meet required debt service payments.

The Department established a steering committee and consulted with the Department of Administrative Services to review the loan program administrative rules and to establish a revised program to avoid repetition of past problems. Unsuccessful efforts were made to move any new loan program to another state agency with greater experience in loan program administration. While some irrigation districts have expressed interest in applying for new project loans, no applications were received during the 1997-99 or 1999-01 biennium. The Water Resources Commission created the Water Development Loan Fund, Loan Advisory Board to take advantage of citizen expertise in the review of loan applications and to provide an independent assessment of risk associated with granting loans. During the 1999-01 biennium to date, however, there have been no additional loans funded from the Water Development Loan Fund.

Governor's Budget

The Governor's budget for the Water Development Loan Program is equal to the 2001-03 current service level, but is 17% below estimated 1999-01 expenditures due to a decrease in principal and interest payments for bonded debt. The budget funds staffing at current levels.

Oregon Watershed Enhancement Board (OWEB) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	15,449,680	3,700,000	3,700,000	0
Lottery Funds	0	20,499,939	41,993,538	46,784,191
Other Funds	6,175,493	1,976,945	1,849,996	1,849,996
Federal Funds	404,277	4,540,158	5,020,000	17,020,000
Total	**22,029,450**	**30,717,042**	**52,563,534**	**65,654,187**
Positions (FTE)	7.22	13.00	13.00	23.00

Lottery Funds expenditure limitation in the Current Service Level and Governor's Recommended includes $10,501,934 in carry forward Lottery Funds from the 1999-01 allocation of Measure 66 funding. 1997-99 Actuals represent GWEB expenditures.

The Oregon Watershed Enhancement Board (OWEB) was created by the 1999 Legislature through the passage of House Bill 3225. This legislation implemented Ballot Measure 66 (1998) and established the framework for the full allocation of the measure's constitutionally dedicated lottery resources. 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. For the 1999-01 biennium, the state's revenue forecast estimated net lottery revenues of $86.9 million for these purposes. OWEB was designated as the single state agency charged with administration of the salmon and watershed portion of the dedicated lottery revenues.

OWEB represents a reformulated Governor's Watershed Enhancement Board (GWEB). GWEB was established in 1987 by the Legislature and given responsibility for the restoration and enhancement of riparian and upland watershed areas. The Board was administratively included within the Water Resources Department but functioned independently. OWEB consists of 11 voting members, including 5 voting members from state natural resource agency boards and commissions and 6 public members appointed by the Governor and confirmed by the Senate. OWEB is also authorized to include up to 6 additional non-voting members, including the director of Oregon State University's agricultural extension service and representatives from 5 federal land and natural resource agencies.

HB 3225 also established an account structure for the lottery revenues and effected several other changes required under Ballot Measure 66. The bill created a Parks and Natural Resources Fund to receive the lottery revenues and established two accounts, the Parks Subaccount for park purposes and the Restoration and Protection Subaccount for salmon and watershed purposes. Ballot Measure 66 required that at least 65% of the revenue for salmon and watershed restoration be used for capital expenditures. In order to maintain accountability, HB 3225 defined "capital expenditures" and established a Watershed Improvement Operating Fund to receive the 35% of lottery revenues able to be used for non-capital projects. The existing Watershed Improvement Grant Fund was designated to receive the funds provided for capital projects.

OWEB – Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	9,738,337	3,700,000	3,700,000	0
Lottery Funds	0	5,608,406	5,020,546	8,590,835
Other Funds	6,175,493	1,976,945	1,849,995	1,849,995
Federal Funds	404,277	4,540,158	5,020,000	17,020,000
Total	**16,318,107**	**15,825,509**	**15,590,541**	**27,460,830**
Positions (FTE)	7.22	13.00	13.00	23.00

Program Description

The agency's Operations are funded through the Watershed Improvement Operating Fund (WIOF). The WIOF was established through HB 3225 to receive lottery and other revenues not required for capital expenditure use under the Ballot Measure 66 language. The fund was created to facilitate the tracking and accounting of lottery revenues for the required purposes. Use of the revenue in the WIOF is authorized for the operational expenses of OWEB; activities of state and local agencies and other public entities related to the restoration and protection of native salmonid populations, watersheds, fish and wildlife habitats and water quality; watershed improvement grants that are not capital expenditures; and watershed improvement grants that are capital expenditures.

Revenue Sources and Relationships

Based on the revenue forecast of $43.4 million of Lottery Funds available for salmon and watershed restoration in the 1999-01 biennium, the maximum allocation for non-capital expenditure activities was estimated at $15.2 million. Of this amount, $5.1 million was provided to the Watershed Improvement Operating Fund. OWEB was authorized to use $2.3 million for administrative costs and was directed to provide $2.4 million from the WIOF for support of local watershed councils and $0.4 million for support of the Independent Multidisciplinary Science Team. The remaining $10.1 million available for operational activities was distributed by the Legislature to other state agencies, including the Departments of Fish and Wildlife ($3.7 million), Agriculture ($2.8 million), State Police ($2.8 million), Environmental Quality ($0.4 million), and Forestry ($0.4 million). General Fund was provided in 1999-01 to continue work initiated in the 1997-99 biennium by GWEB for basin assessment and monitoring work associated with the Oregon Plan.

Other Funds in 1999-01 represented carry forward limitation from revenues received by GWEB in 1997-99 from a timber tax levied in support of Oregon Plan activities. Other Funds are also received from the Department of Transportation for one-half of the proceeds from the sale of salmon license plates and from various non-governmental sources in the form of donations and grants.

Federal Funds are derived primarily from the U.S. Department of Commerce, National Marine Fisheries Service. OWEB has also received Federal Funds from the Environmental Protection Agency and the U.S. Fish and Wildlife Service. The agency's expenditure limitation for the 1999-01 biennium included $1.5 million of carry forward funds from GWEB. During the 1999-01 interim, OWEB requested a Federal Funds expenditure limitation increase from the Emergency Board as a result of additional funds made available by Congress for salmon habitat restoration, stock enhancement, and research. The Emergency Board approved OWEB's submittal of a grant application for $9 million and increased the agency's expenditure limitation to reflect the additional federal revenue.

The latest state revenue forecast (December 2000) projects $45.2 million Lottery Funds (Measure 66) available for the Restoration and Protection Subaccount in the 2001-03 biennium. Based on the constitutional split between operations and capital expenditures, no more than $15.8 million of the new revenue can be used for non-capital expenditures, including OWEB and other agency operational costs, during the 2001-03 biennium.

Budget Environment and Performance Measures

One of the fundamental challenges of the Oregon Plan is the coordination of actions by a variety of federal, state, and local entities to restore and manage watershed health. Since the Oregon Plan is founded largely on the principles of local involvement and volunteerism, OWEB provides a pivotal role by distributing funding for projects, offering technical assistance, and making information available.

The agency was directed by budget note to provide quarterly reports to the Legislature on program activities, revenue and expenditures by fund, and project grant awards. The intent of the reporting requirement was to maintain legislative oversight and review of activities related to Oregon Plan implementation.

As a new agency, one of OWEB's 1999-01 biennial goals was the development of a strategic plan describing agency goals, management actions, and accountability measures. The strategic plan and agency performance measures continue to be prepared for adoption by OWEB. The agency currently has not reported on any performance measures.

Governor's Budget

The Governor's recommended budget for OWEB includes a total of $27.5 million for Operations. The recommended budget represents a 74% increase from the 1999-01 estimated expenditure levels. The magnitude of the change is due to an increase in Federal Funds from $4.5 million in 1999-01 to $17 million in 2001-03, resulting from a Congressional appropriation under the Pacific Coastal Salmon Recovery Program. OWEB received Emergency Board authorization in April 2000 to apply for grant funds from the National Marine Fisheries Service after Congress made $50 million available to the Pacific Coast states. Oregon's share of the Congressional appropriation for fiscal year 2000-01 was $9 million. OWEB anticipates receiving an equal amount in fiscal year 2001-02. The recommended budget's $17 million Federal Funds includes $8 million in carry forward from 1999-01 that is committed, but will be unspent by the end of the biennium, plus the next fiscal year's federal allocation of $9 million.

State support under the Governor's recommendation is basically unchanged from 1999-01 levels. The recommended budget replaces all General Fund for Operations with additional Measure 66 non-capital Lottery Funds. The combination of General Fund and Lottery Funds declines slightly from 1999-01 to 2001-03 from $9.3 million to $8.6 million. Other Funds expenditure limitation, including carry forward and estimated receipt of salmon plate and other miscellaneous revenues, is recommended at the current service level. The recommended budget supports a total of 23 FTE within OWEB, an increase from 13 FTE in the 1999-01 budget.

The recommended budget for OWEB Operations includes the following funding changes:

- A reduction of $3,700,000 General Fund from the current service level; the funding was used in the 1999-01 biennium for non-capital expenditure grants to fund watershed assessments, monitoring, education, and technical assistance for restoration projects.
- $1,700,000 Lottery Funds are added for additional local watershed council support. The agency's base budget includes $2.4 million for watershed councils. During the 1999-01 biennium, OWEB used Federal Funds to increase funding for local watershed council staff. Expenditure of the additional Lottery Funds is included in the recommended budget to maintain that staffing level.
- $865,873 Lottery Funds are added for an effort to institutionalize the Oregon Plan by consolidating oversight of various functions such as monitoring and assessments in OWEB. A total of 6 positions (6 FTE) are added to OWEB and supported with Lottery Funds. Two of the positions (Natural Resource Specialist 5 and Natural Resource Specialist 4) are existing positions funded in the Department of Fish and Wildlife budget, but assigned to the Governor's Natural Resource Office. These positions are eliminated from the ODFW budget. Four new positions are created in the recommended budget, including a Natural Resource Specialist 3, an Information Specialist 8, an Information Specialist 7, and an Office Specialist 2. These positions would be responsible for developing and implementing the agency's effectiveness monitoring program, an Oregon Plan reporting system, a statewide strategy for standardizing natural resource data and GIS mapping information systems, and an integrated agency data base.
- $545,991 Lottery Funds are added to finance 4 new positions (4 FTE), including a Fiscal Manager (PEM D), a Grants Payment Specialist (Accounting Technician 3), and 2 Grants Program Specialists (Natural Resource Specialist 3). The new positions would be used to address issues raised in a Secretary of State Audits Division review of the agency's grant program regarding the mitigation of risks associated with the administration of Lottery grants.
- $413,689 Lottery Funds are added to offset a projected Lottery Funds revenue shortfall that did not materialize. When the Lottery Funds shortfall was forecasted, the agency requested General Fund to cover the revenue loss. Since the Lottery Funds shortfall did not occur, the recommended budget restores Lottery Funds in a program option package to balance the anticipated revenue available for non-capital expenditures from Measure 66.
- $44,736 Lottery Funds are added to finance a reclassification of 3 positions (the Director, Assistant Director, and Director's Assistant).
- $500,000 Federal Funds limitation is added to provide support to the Willamette Restoration Initiative. The source of funding is new Federal Funds from the Pacific Coastal Salmon Recovery Program.
- $507,429 Federal Funds limitation is added to provide continued support for the Independent Multidisciplinary Science Team (IMST). The IMST was provided support from Lottery Funds in the 1999-01 biennium as directed by the Legislature. The funding source is new Federal Funds from the Pacific Coastal Salmon Recovery Program.
- $10,992,571 Federal Funds are added as an estimate of the amount of expenditure limitation necessary for a combination of carry forward and new federal revenues under the Pacific Coastal Salmon Recovery Program. The agency anticipates receiving $9 million in new Federal Funds in the 2001-03 biennium. The recommended budget directs the use of approximately $1 million of these new funds for the Willamette Restoration Initiative and IMST support; use of the remaining $8 million of new Federal Funds is not specified in the budget.

The recommended budget shifts Oregon Plan / Steelhead Supplement funding for the Departments of Forestry and Environmental Quality from Measure 66 Lottery Funds to General Fund. The Department of Fish and Wildlife retains Lottery Fund support for Oregon Plan activities, but with General Fund supplementation. A summary of the Governor's recommended allocation of Measure 66 Lottery Funds for the 2001-03 biennium is included in a table following the summary of OWEB's Capital Construction Projects budget.

OWEB - Capital Construction Projects

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	5,711,343	0	0	0
Lottery Funds	0	14,891,533	36,972,992	38,193,356
Total	**5,711,343**	**14,891,533**	**36,972,992**	**38,193,356**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Capital Construction Projects of the agency are funded through the Watershed Improvement Grant Fund (WIGF). The WIGF was an existing fund used by the Governor's Watershed Enhancement Board prior to the establishment of OWEB to support on-the-ground projects and other eligible expenditures under the Oregon Plan. The primary source of funding for the 1997-99 Watershed Improvement Grant Fund had been planned to be a privilege tax levied on the harvesting of forest products ($1.75 per thousand board feet for calendar year 1998 and up to $2.00 per thousand board feet for calendar year 1999). The tax was to be collected until a total of $15 million was generated for the Watershed Improvement Grant Fund. In addition to the harvest tax, the WIGF received funds from an extension and increase of a surcharge on licenses and fees related to angling and commercial fishing industries provided through the Department of Fish and Wildlife's Restoration and Enhancement (R&E) Board. Ultimately, the Emergency Board provided $8.8 million General Fund from the Emergency Fund due to the repeal of the timber tax following listing of coastal coho salmon as a threatened species by the National Marine Fisheries Service. The timber tax provided a net $4.8 million for the WIGF instead of the projected $13.6 million.

With passage of Ballot Measure 66 and its implementing legislation (HB 3225), the funding source for the WIGF changed. Ballot Measure 66 required that 65% of the dedicated lottery revenues be used for capital expenditures, but failed to define the term. HB 3225 defined capital expenditures to mean projects that restore, enhance, or protect fish and wildlife habitat, watershed functions, native salmonid populations, or water quality or expenditures for personal property of a nonexpendable nature used in the enforcement of fish, wildlife, and habitat protection laws and regulations. The capital expenditure requirement on the Measure 66 Lottery Funds restricts the use of these resources from supporting some activities previously funded out of the WIGF.

Revenue Sources and Relationships

Based on the revenue forecast of $43.4 million of Lottery Funds available for salmon and watershed restoration in the 1999-01 biennium, at least $28.2 million was required for use on eligible capital expenditure activities. Of the amount, $26.6 million was provided to the Watershed Improvement Grant Fund for project funding. The remaining $1.6 million was distributed to the Department of Agriculture for riparian and wildlife habitat weed control grants ($1.1 million) and to the Department of State Police for vehicle expenses related to fish and wildlife enforcement activities $0.5 million). The Legislature directed that $4 million of the $26.6 million allocated to the Watershed Improvement Grant Fund be set aside for the continuation and enhancement of cooperative fish screening, fish by-pass device, and fish passage programs administered by the Department of Fish and Wildlife. Distributions of the remaining amounts in the WIGF were left to the discretion of OWEB. The 1999-01 Lottery Funds limitation also includes $0.5 million from an allocation originally occurring in 1993 for the Watershed Health Program.

While only Lottery Funds are currently displayed for Capital Construction Projects, the OWEB budget still contains Other Funds and Federal Funds used for projects. These other funding sources are shown under the agency's Operations organizational unit. In Operations, the Other Funds represent a carry forward limitation of obligated revenues unable to be dispersed by the end of the 1997-99 biennium by GWEB. These funds include a combination of previously collected timber taxes, fishing surcharge transfers, interest earnings, and other sources of revenue. GWEB also experienced an inability to spend all appropriated General Fund by the end of the biennium. In order to complete its commitment to a fully funded Oregon Plan, the Legislature opted to treat nearly $6.9 million of General Fund provided during the 1997-99 biennium as a capital construction appropriation which provides a six-year spending authority to OWEB as GWEB's successor agency.

The latest state revenue forecast (December 2000) projects $45.2 million Lottery Funds (Measure 66) available for the Restoration and Protection Subaccount in the 2001-03 biennium. Based on the constitutional split between operations and capital expenditures, at least $29.4 million of the new revenue must be made available for eligible capital expenditures, including project grants, during 2001-03.

Budget Environment and Performance Measures

The ability of OWEB to be effective in promoting and implementing programs to restore, maintain, and enhance Oregon watersheds is partially dependent on the cooperation of other state natural resource agencies and on the capacity of local conservation efforts to identify, design, and develop projects.

OWEB has identified 3 performance measures for use in Capital Construction Projects:

- Provide written review of each grant application within 4 months, including review by a regional team, and within a schedule to provide grant agreements in time to complete seasonally scheduled work.
- Provide review and processing of grant payments within one week of receipt.
- Provide applicants with a grant agreement within one month of OWEB action if the applicant meets prerequisites for issuing the agreement.

No data has yet been reported on these output measures of agency activity. Performance measures addressing the effectiveness of projects in attaining improved watershed conditions would be a useful addition to the agency's tracking of performance. While individual grants include expectations of project benefits, the net effect of projects on a watershed over time is necessary to show the effectiveness of the Measure 66 capital expenditure grant program.

Governor's Budget

The Governor's recommended budget for Capital Construction Projects using Measure 66 Lottery Funds totals $38.2 million. The recommendation includes carry forward limitation for $10.5 million Lottery Funds allocated in 1999-01 and committed to projects by OWEB, but unable to be spent by the end of the biennium. The proposed budget also includes limitation for $27.7 million of new Measure 66 Lottery Funds from 2001-03 lottery proceeds. The recommended budget includes one program option package adding $1,220,364 Lottery Funds to the Watershed Improvement Grant Fund to balance the fund with estimated revenues.

The Governor's recommendation does not include continuation of the lottery funded fish screening program initiated by the Legislature during the 1999-01 biennium with Measure 66 capital expenditure funds. In addition to the $27.7 million Lottery Funds included for OWEB, the recommended budget includes allocations of Measure 66 capital expenditure funds for riparian and wildlife habitat weed control project grants through the Department of Agriculture ($1.2 million) and for vehicle acquisition for Oregon Plan enforcement through the Department of State Police, Fish and Wildlife Division ($0.5 million). The recommended allocation of Measure 66 Lottery Funds is summarized in the following table:

Allocation of 2001-03 Measure 66 Lottery Funds

Agency		**Governor's recommended budget**		
	Program	**Operating**	**Capital**	**Total**
Department of Agriculture				3,694,039
	Soil and Water Conservation District Support	2,500,673		
	Riparian/Wildlife Habitat Weed Control Projects		1,193,366	
Department of Environmental Quality				192,000
	Lower Columbia River Estuary Program	192,000		
Department of Fish and Wildlife				1,688,035
	Oregon Plan/Steelhead Supplement Staff	1,688,035		
Department of State Police				3,416,271
	Oregon Plan Enforcement Staff	2,873,867	542,404	
Oregon Watershed Enhancement Board				36,282,258
	Administration/Operations/Non-Capital Projects	8,590,836		
	Capital Expenditure Projects		27,691,422	
Total Measure 66 Lottery Funds Allocation		**15,845,411**	**29,427,192**	**45,272,603**

OWEB – Restoration and Protection Research Fund

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	0	0	1	1
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Restoration and Protection Research Fund (RPRF) was created by the 1999 Legislature in House Bill 3225. The fund is to be used for the purpose of funding research and other activities related to the restoration and protection of native salmonid populations, watersheds, fish and wildlife habitats, and water quality, including but not limited to research, monitoring, evaluation, and assessment related to the Oregon Plan. All interest earnings on the Restoration and Protection Subaccount, the Watershed Improvement Operating Fund, and the Watershed Improvement Grant Fund are to be credited to the Restoration and Protection Research Fund.

Revenue Sources and Relationships

Revenue for the Restoration and Protection Research Fund is from interest earnings on the other OWEB funds, including the operating and grant funds. Through November 2000, OWEB had deposited $781,110 of interest earnings into the research fund.

Budget Environment and Performance Measures

During deliberations on the implementation of Ballot Measure 66 and the continuation of the Oregon Plan, the Legislature noted that a funding gap existed for research activities not specifically tied to any individual grant or on-the-ground project. The Restoration and Protection Research Fund was established to create a funding source to address these issues.

The 1999 Legislature approved a $1 expenditure limitation on the Restoration and Protection Research Fund for the 1999-01 biennium. The limitation was provided due to uncertainties regarding the amount and timing of revenue to be deposited into the fund. The Legislature also anticipated a need to have further discussions regarding the proposed uses of the Fund's revenues once estimates of the biennial receipts were available. Neither the Legislature nor the Emergency Board approved the use of any funds from the Restoration and Protection Research Fund during the 1999-01 biennium.

Since no activity has occurred with funds from the Restoration and Protection Research Fund, there are no performance measures in place. OWEB may include performance measures as part of the requirements for any approved grant from the fund.

Governor's Budget

The Governor's recommended budget does not include a proposed use for the funds in the Restoration and Protection Research Fund. The recommended budget includes a revenue estimate of $800,000 in interest earnings for the 1999-01 biennium. The estimated revenue from interest earnings is included in OWEB's Lottery Funds ending balance for the 2001-03 biennium in the recommended budget. The revenue estimate appears to be conservative given the amount deposited into the research fund through November 2000. By the end of the 1999-01 biennium in June 2000, approximately $1 million could be available in the Restoration and Protection Research Fund to finance eligible research projects during the 2001-03 biennium.

TRANSPORTATION

Oregon Department of Aviation (Aviation) – Agency Totals

	1997-99 Actual [1]	1999-01 Estimated [1]	2001-03 Current Service Level [2]	2001-03 Governor's Recommended
General Fund	0	39,521	0	0
Lottery Funds	53,844	105,502	0	0
Other Funds	6,829,618	10,176,723	4,983,499	9,466,257
Total	**6,883,462**	**10,321,746**	**4,983,499**	**9,466,257**
FTE/Positions	15.50	15.75	16.00	16.00

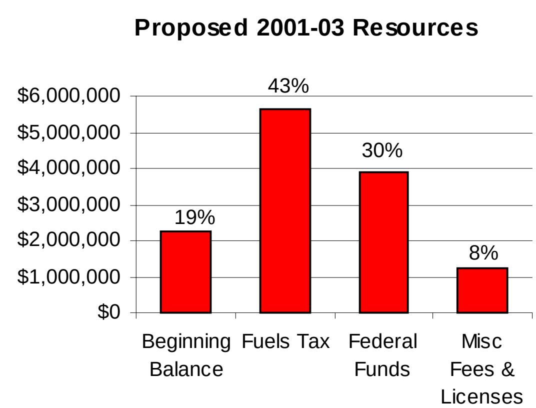
1 *Figures include fiscal history from Oregon Department of Transportation Budget.*

2 *Current Service Level Figure differs from Governor's recommended budget due to LFO technical adjustments described in programs below.*

The 1999 Legislature created a separate Department of Aviation out of the Aeronautics Division of the Oregon Department of Transportation effective July 1, 2000. The Senate confirmed the five members of the State Aviation Board, appointed by the Governor in September 2000. The Department of Aviation operates more than 30 state-owned Oregon airports and annually licenses or registers more than 400 other public and private airports, heliports, and landing areas. The Department also registers all pilots and non-military aircraft based in Oregon; oversees statewide aviation system planning; helps with community airport planning; and conducts aviation safety and public education programs. The Department's goals include developing aviation as an integral part of Oregon's transportation network; creating and implementing strategies to protect and improve Oregon's aviation system; encouraging aviation-related economic development; supporting aviation safety and education; and increasing commercial air service and general aviation in Oregon.

Revenue Sources and Relationships

Fuels Tax revenues provide 43% of all revenues and are the main source of revenue for Department activities. Pilot registration fees (1%) are used solely for air search and rescue missions. State aviation fuel taxes, aircraft registrations, airport licensing fees, and leases and agreements on state-owned airports support other Aeronautics programs. The 1999 Legislature approved a ½-cent per gallon jet fuel increase for a new total of one cent per gallon, and a 6-cents per gallon increase on aviation gasoline taxes for a new total of 9-cents per gallon. The increased fuel tax is dedicated to funding airport pavement and maintenance projects at airports statewide, generating over $1 million for the 1999-01 biennium. For 2001-03, the agency estimates that over $5.4 million will be generated from these taxes. Additional funds ($3.9 million) from the Federal Aviation Administration (FAA) Airport Improvement Program (AIP) are provided for system planning, public use airport planning, planning for state-owned airports, and construction grants. Federal AIP funds are projected to increase over current distributions by $5 million per federal fiscal year beginning in 2001 through 2004. AIP funds require a 10% state or local match.



Aviation – Operations

	1997-99 Actual [1]	1999-01 Estimated [1]	2001-03 Current Service Level [2]	2001-03 Governor's Recommended
Other Funds	3,382,075	5,169,361	4,858,336	5,790,912
Total	**3,382,075**	**5,169,361**	**4,858,336**	**5,790,912**
FTE	15.00	15.25	15.50	15.50

1 *Figures include fiscal history from Oregon Department of Transportation Budget.*

2 *Current Service Level Figure differs from Governor's recommended budget due to addition of Pavement Maintenance Program $1,028,000 approved by the Interim Emergency Board in 12/99; and a technical adjustment for base budget Personal Service Costs $49,328.*

Program Description

The Operations Program is responsible for the following six service areas:

- ***Airport Services*** (4.00 FTE) manages more than 200 leases and other property agreements; oversees inspections, planning, engineering and construction on multiple development projects; coordinates tenant relations for state-owned airports; and applies for and administers the Federal AIP grants.
- ***Airport Maintenance*** (3.00 FTE) includes maintaining state-owned airports to applicable federal and safety standards including routine and preventive maintenance such as mowing, obstruction removal, pavement preservation, and navigational aid maintenance.
- ***Aircraft and Pilot Registrations*** (0.50 FTE) involves registering 7,200 pilots, 4,900 aircraft and 20 aircraft dealers annually.
- ***Statewide Services*** (5.00 FTE) is responsible for overall agency management, support of Board activities; coordination with the Governor, Legislature, and other government entities; and development of broad policy direction. This service area also manages the Financial Aid to Municipalities Grants funded out of the operating budget. The $10,000 maximum grants are available to airports to match federal grants and to fund projects that are eligible for federal funding.
- ***Airport Operations*** (1.00 FTE) is responsible for airport safety inspections on state-owned and other Oregon public airports; investigating proposed new airport and heliport sites; licensing and registering airports and heliports; providing technical advice to airport owners and operators on safety, siting and feasibility issues; and coordinating annual flight instructor refresher clinics.
- ***Planning*** (2.00 FTE) is responsible for the Department's planning activities including the Oregon Aviation Plan; conducting aviation system planning consistent with FAA requirements; state airport master plans; advising on non-state-owned airport master plans; commenting on land use and zoning issues near airports; and reviewing and commenting on airspace obstructions.

Budget Environment and Performance Measures

Congress adopted the Aviation Investment and Reform Act for the 21st Century (AIR-21). The Act, a three-year bill beginning in federal fiscal year 2001, will increase the national aviation investment by $10 billion over current levels, with the major share of the funding going to radar modernization and much-needed airport construction projects under the Airport Improvement Grant Program. AIR-21 establishes an entitlement program for general aviation airports. Oregon expects to be apportioned $22 million in 2001-03, $10 million more than in the 1999-01 biennium. Federal Aviation Administrative regional staff approached the Department to assist in administering the increase in grant activity by being the grant sponsor for ten to twelve smaller Oregon airports for several FAA selected aviation maintenance and improvement projects throughout the state under the partnership. Under the partnership, the Department assists airports in developing projects, applying for and administering the federal grants and coordinating project management and oversight. The Department intends to pursue permanent funding for a position to administer the program. Other budget drivers include:

- the ability to transfer airport ownership to local communities to support and maintain them;
- customer dissatisfaction with commercial airlines performance turning a focus to alternate connections and air travel options;
- conflicts over airport noise levels requiring agency intervention and mediation;
- the shortage of qualified pilots and maintenance technicians when demand for optional air service is increasing; and
- Oregon companies need for rapid and efficient transport of manufactured goods between smaller communities.

The Department has identified primary linkages to Oregon Benchmarks dealing with vehicle traffic congestion (Number 70) and vehicle miles traveled (Number 74). To the extent that the agency's planning processes contribute to reducing congestion and vehicle usage by providing an alternate mode of transportation, the agency impacts the State's effort in meeting the benchmark. The Department also tracks a number of indicators for performance that include the following:

- State-Owned Airports' expenditures and revenues generated. The agency goal is to maximize revenues and keep expenditure needs comparable with revenue collection. The agency's ultimate goal is to transfer ownership of all airports with revenue producing potential to local jurisdictions. No airports were transferred in the 1999-01 biennium. The 2001-03 budget assumes continued progression toward achieving the goal.
- Maintaining airport pavement condition at an average 60 for categories 1 and 2, 55 for categories 3 and 4, and 50 for category 5. This indicator measures the effectiveness of the Department Airport Pavement

Maintenance Program. The agency target is to maintain the current pavement condition index in each of the five categories of airports. Up until the implementation of the Pavement Maintenance Program, the pavement condition index was declining at a rate of between 1% and 2% per year. The 2001-03 budget assumes that pavement condition will not continue to decrease.

Governor's Budget

The Governor's budget is $5,790,912 and 15.50 FTE. The recommended budget represents an increase of $621,551 or 12% over estimated 1999-01 spending, and $932,576 or 19% higher than the 2001-03 current service level. The budget adds $155,572 Other Funds expenditure limitation to contract with the Department of Administrative Services for financial services, computer support and contract management. Funding for this contract will come from revenues collected from user fees and fuel taxes. The budget is increased by $292,000 for capital outlay and equipment to replace the Department's airplane, 1992 truck and the office copier.

The budget also continues $385,000 for professional services funding of the Wildlife Hazard Consultation Program with the United States Department of Agriculture (USDA) and Animal and Plant Inspection Service (APHIS). The program provides airport information management system upgrades, a revenue potential for general aviation airports' and air service potential in Oregon studies, and a recreation airport need study. An additional $100,000 is provided to increase the Financial Aid to Municipalities (FAM) grant program. The Department anticipates increased demand for this grant when increased Federal Improvement Program funds become available.

Aviation – Search and Rescue

	1997-99 Actual [1]	1999-01 Estimated [1]	2001-03 Current Service Level [2]	2001-03 Governor's Recommended
Other Funds	99,364	133,062	125,163	125,163
Total	**99,364**	**133,062**	**125,163**	**125,163**
FTE	0.50	0.50	0.50	0.50

1 *Figures include fiscal history from Oregon Department of Transportation Budget.*

2 *Current Service Level Figure differs from Governor's recommended budget due to technical adjustment to include special payments to Oregon State Police in Base Budget, $81,180 and $620 for base budget personal service costs.*

Program Description

The Search and Rescue program unit accounts for and distributes net revenues from pilot registration fees to Oregon State Police, Office of Emergency Management (OEM) to coordinate all air search and rescue efforts statewide including searches for lost people as well as overdue aircraft. OEM also develops and trains search and rescue volunteers working closely with the U.S. Air Force, Civil Air Patrol, volunteer pilots, county sheriffs, the U.S. Coast Guard and other branches of the military during air searches.

Budget Environment and Performance Measures

The Department collects registration fees from pilots. The fees, net of collection costs are distributed to the Oregon State Police Office of Emergency Management by special payment. Funds are restricted to aerial search and rescue activities. The Aviation Department uses 0.50 FTE to collect the registration fee and administer pilots' registrations. Because the Office of Emergency Management carries out the major program activity, continuing the revenue and expenditure limitation in the Aviation Department budget may need to be re-examined by the State Aviation Board and the Legislature.

The performance measure identified by the Department for this program is the number of Oregon resident pilots registered with the Department compared to the number shown in FAA records. The agency goal is to match 100% of the FAA's total registration, and achievement is 73 percent. The 2001-03 budget assumes continued improvements to achieve the goal.

Governor's Budget

The Governor's budget is $125,163 and .50 FTE. The recommended budget provides for the current service level.

Aviation – Capital Construction Program

	1997-99 Actual *	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
Lottery Funds	53,844		0	
Other Funds	3,200,000	4,375,000		3,210,932
Total	**3,253,844**	**4,375,000**	**0**	**3,210,932**

* *Figures include fiscal history from Oregon Department of Transportation Budget.*

Program Description

This program provides for the development and improvement of state-owned airports for community access, development, and emergency use.

Revenue Sources and Relationships

The primary source of revenue for this program is through dedicated federal grants awarded by the FAA under the Federal Airport Improvement Program. Ninety percent of eligible land and construction costs are paid by these Federal Funds. The 10% match is provided through the aviation fuel tax revenues.

Budget Environment and Performance Measurements

The state must compete with other Oregon airports for a share of the Airport Trust Fund for state-owned airport improvements. The FAA requires potential capital improvement projects be submitted for consideration of inclusion in the FAA Capital Improvement Program five-year plan. The Department is typically notified of airport improvement projects that are programmed for funding as they move up on the priority list from the FAA Capital Improvement Program five-year plan. The FAA prioritizes projects based on its criteria and on the availability of funds within a specific federal fiscal year. Once the State is notified that a project is programmed for funding, the State is required to provide plans, specification development and proceed with bid and contractor selection. At that point the State can request funding for construction and recovery of engineering and administration costs. The Department has identified over $10.6 million in federally eligible projects for the years 2001 through 2007, of which $3.2 million is planned for construction during 2001-03.

No performance measures have been identified for this program area.

Governor's Budget

The Governor's budget provides $3,210,932 to fund four airport improvements at Aurora, Condon, Joseph and Chiloquin airports. The budget is funded 90% Federal as Other Funds ($2,891,7890) and $319,142 Other Funds match. The projects are:

- $690,000 for appraisals for land acquisition and construction of hangers at Aurora State Airport;
- $563,500 to expand the apron 4,500 square yards, install 12,000 linear feet game deterrent perimeter fencing, patch and overlay taxiway, and reseal apron joints at Condon State Airport;
- $509,582 to construct a parallel taxiway and run up area, install Precision Approach path Indicator, install taxiway reflectors, install game deterrent fencing and gates, and revise Airport Layout Plan at Joseph State Airport; and
- $1,447,850 to reconstruct entrance road, slurry seal runway, reconstruct apron, install perimeter fencing, construct hangar taxiways, reconstruct stub taxiway, acquire land for development of clear zone, acquire aviation easements, construct service road, and remove existing apron and hangers at Chiloquin State Airport.

Aviation – Capital Improvements Program

	1997-99 Actual *	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	39,521	0	0
Lottery Funds		105,502		
Other Funds	148,179	499,300	0	339,250
Total	**148,179**	**644,323**	**0**	**339,250**

* *Figures include fiscal history from Oregon Department of Transportation Budget.*

Program Description

This program provides for airport improvement projects that are less than $500,000 and can be accomplished in one biennium. Funding is 90% Federal and 10% Other Funds.

Budget Environment and Performance Measurements

No performance measures have been identified for this program area.

Governor's Budget

The Governor's budget provides $399,250 Other Funds expenditure limitation to provide the state match for two federally funded projects at:

- Wasco State Airport to slurry seal and re-stripe the runway ($109,250); and
- Jordan Valley to assist the community with a new airport appraisal, site plan, pre-engineering study and land acquisition ($230,000).

Department of Transportation (ODOT) – Agency Totals

	1997-99 Actual[1]	1999-01 Estimated [1]	2001-03 Current Service Level [2]	2001-03 Governor's Recommended
General Fund	801,204	20,130,570	20,043,373	18,201,355
Lottery Funds	20,003,266	19,993,390	19,994,850	19,994,850
Other Funds	1,672,013,265	1,616,251,215	1,614,044,750	1,624,599,485
Federal Funds	22,012,569	31,579,723	40,022,609	43,268,876
Nonlimited	54,901,720	57,000,985	65,084,738	65,084,738
Total	**1,769,732,024**	**1,744,955,883**	**1,759,190,320**	**1,771,149,304**
Positions (FTE)	4686.37	4756.59	4666.55	4743.36

1 *Fiscal History for Aeronautics Division is deducted and shown in Aviation Department budget analysis.*

2 *Current Service Level figure differs from Governor's recommended budget due to LFO technical adjustments described in programs below.*

The Department of Transportation (ODOT) is responsible for developing, maintaining, and managing Oregon's transportation system in a safe and efficient manner that enhances the state's economic competitiveness and livability. Historically, ODOT has focused primarily on constructing and maintaining highways; however, more recently, with designated General, Federal, and Lottery Funds, it has broadened its focus to include reduced use of the automobile in congested areas and increased emphasis on alternative modes of transportation. The Department is under the direction of a Director and five-member Oregon Transportation Commission, all of whom are appointed by the Governor, and confirmed by the Senate.

Revenue Sources and Relationships

The bulk of the Department's revenues originate from motor fuel taxes, licenses, and fees that are constitutionally dedicated. The State Highway Fund is shared among ODOT, counties and cities. Out of $2.44 billion to be collected for 2001-03, $587.6 million is projected to accrue to other state agencies and local governments leaving $1.8 billion available for expenditure on transportation programs. The most recent revenue forecast projects gross highway fund collections to increase by about 1.4% from the 1999-01 estimate. State motor fuel sources are forecast to increase 2.5% due to growth in Oregon's economy, stabilizing fuel prices, and low growth in fuel efficiency combined with growth in personal income. Weight-mile fuel tax rates were reduced by 13.5% in the 1999-01 biennium to reflect the most recent cost-responsibility report. The impact on gross revenues for the 2001-03 biennium is about a 4% decrease from the 1999-01 estimated revenues. Heavy vehicle registration, which showed no growth in 1999, is expected to reach an increase of 3.8% in fiscal year 2000 and an even stronger growth of more than 6% in 2001. Heavy vehicle registration is forecast to grow approximately 8% for the 2001-03 biennium. Other variables influencing transportation revenues include growth in the high-tech sector of the economy, E-commerce and internet business boosting customized shipping and shifting some business from rail shipments to trucks. The 1999 Legislature adopted House Bill 2193 which increased drivers licenses to an eight-year renewal cycle. This conversion began in October of 2000 and will be completed about October 2004. When fully implemented, renewal transactions will be significantly reduced as a result of the new law. For the current biennium, driver license revenues are forecast to increase about 34% over the 1999-01 collection. The following biennium will reflect a decrease of approximately 24% from license renewal collections as transactions level out to reflect the eight-year cycle. The 2001-03 budget contains a Driver and Motor Vehicles revenue initiative to increase fee revenues by an estimated $32.6 million during the 2001-03 biennium.

Federal appropriations from the Federal Highway Trust Fund, authorized by the Transportation Equity Act for the 21st Century (TEA-21) are received and reported as Other Funds. The total amount of Federal Funds in this category for the 2001-03 biennium is over $603 million, an increase of approximately 6 percent. Federal Funds received and reported as federal revenue are grants or direct revenue for specific programs such as transit, and rail projects.

The Department receives $20 million in Lottery Funds to make bond installment payments for the Westside Light Rail Line, construction of which is now complete. The Department historically receives a small amount of General Fund to provide state matching funds for public transit ($37,500), growth management grants

($221,843) and for motor vehicle-related transactions ($153,612). The Department received an additional $9 million in General Fund for Senior and Disabled Transit programs and $10 million General Funds for the Willamette Valley Passenger Rail program. During the interim, the Emergency Board allocated General Fund for implementation of House Bill 3292 related to motor carrier alcohol and drug testing, which is projected to cost $117,654 in the 2001-03 biennium.

OREGON DEPARTMENT OF TRANSPORTATION MAJOR SOURCES OF REVENUE			
Revenue Source	**1999-01 Estimated ***	**2001-03 Governor's Rec. Bud. (GRB)**	**2001-03 GRB Percent Of Total Revenues**
Beginning Balance	$ 55,341,518	$ 59,136,729	2.39%
General Fund	$ 20,170,091	$ 18,201,355	0.73%
Federal Revenue	$ 31,879,323	$ 43,568,476	1.76%
Federal Revenues as Other Funds	$ 570,812,000	$ 603,700,000	24.36%
Other Funds:			0.00%
Motor Vehicle Fuels Tax	$ 819,332,615	$ 840,268,434	33.91%
Vehicle Licenses	$ 178,980,704	$ 185,749,885	7.50%
Drivers' Licenses	$ 56,714,324	$ 108,413,902	4.37%
Other Licenses and Fees	$ 44,340,065	$ 45,941,325	1.85%
Weight Mile Tax & Fees	$ 429,627,957	$ 408,959,760	16.50%
Revenue Bond Proceeds	$ 58,355,000	–	0.00%
Lottery Funds	$ 18,593,390	$ 21,641,440	0.87%
Interest Income	$ 10,707,092	$ 10,325,181	0.42%
Sales Income	$ 14,923,277	$ 14,865,825	0.60%
Charges for Services	$ 66,591,536	$ 57,958,163	2.34%
Other State and Federal	$ 13,580,524	$ 13,552,185	0.55%
Transfers In (Revenue, etc.)	$ 64,121,588	$ 45,797,066	1.85%
Subtotal, Revenues	**$ 2,454,071,004**	**$ 2,478,079,726**	**100.00%**
Transfers to Other Agencies	$ (67,376,917)	$ (64,052,992)	
Transfers to Cities and Counties	$ (522,367,436)	$ 531,257,864)	
Revenues Available for Expenditure	**$ 1,864,326,651**	**$ 1,882,768,870**	

** Reflects reduced revenues from voter rejection of fuel tax increase.*

Budget Environment and Performance Measures

Oregon's population growth rate, stronger employment, and E-commerce continue to increase traffic congestion and demands for maintenance, pavement preservation, Driver and Motor Vehicle services and Motor Carrier Transportation activities. At current funding levels, ODOT predicts critical transportation needs will not be met during the next 20 years. The state's aging transportation infrastructure is more costly to operate and maintain. One-fourth of the state's bridges have exceeded their design life of 50 years. Other variables influencing the agency's budget include higher demand for use of trucks to ship products to market; environmental regulations, which add to the cost for design and construction requirements; and extreme weather conditions that cause unexpected emergency repair costs. In January 2000, ODOT identified a series of budget reductions totaling $93 million in an effort to realign the budget with projected available resources.

The Oregon Transportation Commission identified road and bridge maintenance and preservation as its highest priority for the 2001-03 biennium, shifting $45.5 million from other transportation programs in an effort to prevent further pavement and bridge condition decline due to projected revenue shortfalls. The proposed 2001-03 budget reflects holding current services to the reduced 1999-01 budget levels. Local governments face equally critical transportation issues. Pressure on property taxes and local general funds and no increases in state funding have left local communities with fewer resources for transportation.

ODOT utilizes a number of performance measures to judge agency program performance. Major performance indicators include:

- The percent of lane miles in the State Highway System rated in fair or better pavement condition. The measure enables ODOT to track pavement and determine rehabilitation and funding needs, as well as the current health of the state highway system. The agency goal is to maintain the current achievement rate of

78% fair or better. The conditions of Interstate and other National Highway System pavement have improved; however, ODOT's projected 2001-03 budget assumes the overall condition rating will decline at a rate of about 1% per year given the current level of investment.

- The number of Vehicle Miles Traveled (VMT) on Oregon roads per day, per Capita, statewide and in the metropolitan areas. The measure demonstrates trends in the demand for transportation facilities. The vehicle miles traveled per capita in metro areas in 1999 were 8,247 compared to 8,165 in 1998. Vehicle miles traveled on state roads in 1999 were 20.32 billion miles compared to 19.7 billion miles in 1998. In recent years, each person is driving about 30 miles per day. ODOT's projected 2001-03 budget assumes more drivers are driving more miles on the same roads. The population of Oregon is increasing at the same time Oregonians are driving more miles each year.
- The percentage of the population using alternative modes of transportation other than a single occupancy vehicle: carpool, public transit, or bicycle. The measure demonstrates the public's choices regarding alternative modes which are influenced to some extent by ODOT programs aimed at promoting their use. Currently, the agency goal is to increase this rate slightly over the next 10 years. Approximately one-third of Oregonians carpool or take some form of alternative transportation to work. The number fluctuates but has not increased significantly since 1990. ODOT's projected 2001-03 budget assumes automobile travel remains the preferred option during rush-hour travel.
- The number of transportation systems fatalities per 100 million Vehicle Miles Traveled over a calendar year. The measure demonstrates the relative safety of the transportation system affected by ODOT safety programs, other safety programs, and external influences. Currently, the agency goal is 1.3 or less through the year 2010 with an achievement of 1.2 in 1999. ODOT's projected 2001-03 budget assumes safer vehicles and better teen driver training will aid safety efforts.
- Customer satisfaction with Transportation Safety demonstrates ODOT's ability to meet customer perceived needs. The agency does not have a target for this measure. In the last two years 67% of respondents indicated that the transportation system is safe or safer than the prior year. ODOT's projected 2001-03 budget assumes 80% satisfaction.

Governor's Budget

The Governor's recommended budget of $1.8 billion total funds is increased $41.2 million or 2% from 1999-01 estimated expenditures and $12 million or 1% from the 2001-03 current service level. The recommended budget focuses resources on highway and bridge preservation by internal reallocation among program units and delaying several construction projects scheduled for 2001-03 to the following biennium. The budget includes fee increases for the Driver and Motor Vehicle Services Division (DMV) to support the full cost of services and fund proposed enhancements for the Division. The budget also continues support for senior and disabled transit operations and equipment and for high-speed rail and buses at a reduced level. General Fund program reductions totaling $1.8 million are recommended in the Public Transit and Rail programs. The recommended budget adds 79.08 FTE in Central Services, DMV, Motor Carrier, Transportation Safety, Rail, and Highway Planning and Research. Additional federal funding is provided in the Motor Carrier Division's Commercial Vehicle Safety Program, Transportation Safety Division's safety programs and Public Transit Division for elderly and disabled programs. The budget discontinues federal funding for the Community and System Preservation Pilot Project that was proposed in the 1999-01 biennium to continue work with local governments and community leaders on collaborative planning and problem solving of land use and transportation growth management issues through the Community Solutions Team.

ODOT – Highway Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	1,290,678,988	1,269,881,677	1,270,023,493	1,273,461,891
Positions (FTE)	2,572.83	2,728.27	2,670.10	2,671.10

Program Description

The purpose of the Highway Program is to design, build, maintain and preserve quality highways, bridges and related system components. The Highway Program is derived from a comprehensive set of long-range multi-modal transportation system plans and policies developed and maintained under the direction of the Oregon Transportation Commission. The plans cover highways, mass transit, ports, freight and passenger rail, bike lanes and pedestrian needs. The *Statewide Transportation Improvement Program* (STIP) is a project funding and scheduling document developed through planning processes involving local and regional governments, transportation agencies and the interested public. It is updated every two years through a public hearing process. Organizationally, highway programs are administered and delivered through the five regional offices and the headquarters office of the Technical Services Division. The agency acquires most of its own right-of-way and completes most of the engineering design work but contracts with private companies for the actual construction of the projects. The categories of the Highway Program budget are Maintenance, Preservation, Bridge, Safety, Operations, Modernization, Highway Planning, Special Programs, Emergency Relief and Local Government.

Revenue Sources and Relationships

Highway program activities are funded primarily from Federal TEA-21 funds and the State Highway Fund.

	1997-99 Actual	1999-01 Estimated	2001-03 Gov. Rec
Federal TEA-21 as Other Funds	$580,089,894	$570,812,000	$603,700,000
State Other Funds	$710,589,094	$709,115,790	$669,761,891
State Revenue Bonds		$ 58,500,000	
Total	**$1,290,678,988**	**$1,338,427,579**	**$1,273,461,891**

Budget Environment and Performance Measures

State and federal fuel tax revenues supporting highway programs have not kept pace with needs. State highways make up less than 10% of total road miles, but carry 60% of the traffic – more than 51 million vehicle miles a day. More people are driving more cars. About 74% of commuters drive alone to and from work. Congestion is getting worse, especially on urban freeways. Oregon's state highway system is an essential factor in maintaining a strong economy in the state. Commercial trucks rely on state highways for both short and long haul freight movements. The Highway Program budgets include the part of the latest *Statewide Transportation Improvement Program* (STIP) to be expended during the 2001-03 biennium. The STIP is developed biennially with extensive public involvement throughout the state. Federal regulations require the STIP to include only projects for which the state can reasonably expect adequate funding. The 2000-03 STIP was developed on a funding level of approximately $1.3 billion. About 80% of these funds are federal funds.

Key performance measures include the Pavement Condition Rating, Vehicle Miles Traveled and those identified specifically for each program described below. Key performance measures for the STIP include:

- Percent of Preliminary Engineering by Year. This measure indicates the percent of total project cost it takes for ODOT to design and prepare a project for bid. The current agency target is 7.75 percent. The current preliminary engineering percent is 11.81% for state fiscal year 2000. The target is being reviewed to more accurately reflect ODOT's current policy of appropriate cost allocation as prescribed by SB 614 (1999). The 2001-03 target will be determined by June 2001.
- Percent of Construction Engineering by Year. This measure indicates the percent of total project cost it takes for ODOT to oversee and inspect project construction. Currently, the agency target is 6.76% with a statewide achievement rate of 7.88 percent. The 2001-03 proposed budget assumes a target of 6.76 percent.
- Percent of STIP projects delivered compared to projects planned. This measure indicates the number of projects planned to be bid in a federal fiscal year. Private sector contractors utilize this information to plan their work and resource needs over several construction seasons. The agency target is 80% in the current year. ODOT has achieved a rate of 83% for federal fiscal year 2000. The 2001-03 proposed budget assumes a delivery rate of 80 percent.

ODOT – Highway Maintenance

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	292,130,297	285,859,692	285,067,048	285,067,048
Positions (FTE)	1348.26	1354.85	1315.07	1315.07

Program Description

The purpose of the maintenance program is to maintain, repair, and extend the service-life of the 7,500-mile state highway system by surface patching and bridge repair; upkeep of adjacent shoulder, drainage, landscape, and rest areas; snow removal; and sanding of roads. Maintenance may include replacing materials necessary to make highways safely usable (such as signs) but does not generally include reconstruction. Highway maintenance includes maintaining the buildings and equipment used by ODOT employees. Department personnel do most of the highway maintenance work, in contrast to construction work, which is all contracted out to private companies.

Budget Environment and Performance Measures

There is constant upward pressure on maintenance budgets as the highways age and the vehicle miles traveled on them increase. Roads have not been maintained in the condition called for in the Department's planning statements. Maintenance needs are estimated on the basis of current expenditures by assuming that maintenance practices will continue as they are currently. The assumption does not take into account the usage or aging of the system or catastrophic natural events. The Department routinely surveys all roads, bridges, and connecting surfaces under its maintenance jurisdiction and grades their condition. Much of Oregon's highway system is growing old, resulting in larger more complex maintenance projects. Deferred bridge, operations and pavement preservation projects increase maintenance needs. Increased traffic volume is causing faster than expected deterioration and driving up costs around work sites. Inflation is another significant cost driver since maintenance is dependent on materials to accomplish most activities. New environmental regulations and restrictions require costlier practices and materials. ODOT estimates it would need an additional $39 million per year to fully meet maintenance needs.

The Maintenance Program annually conducts a Maintenance Quality Review that summarizes all road maintenance activities not related to road surfaces or bridges. The 1999 data indicates that maintenance is at 86% of the desired condition on a statewide basis compared to 87.4% in 1998 and 88.1% in 1997. The 2001-03 budget assumes a slight decline in road maintenance quality levels.

Governor's Budget

The Governor's recommended budget of $285 million Other Funds is $0.8 million less than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The base budget has been adjusted to reflect reallocation of expenditure limitations among Highway Programs approved by the Emergency Board during the interim and to reflect reduced revenues.

ODOT – Highway Preservation

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	187,949,905	260,046,804	290,364,798	291,791,385
Positions (FTE)	253.00	250.69	247.54	247.54

Program Description

The Preservation Program rehabilitates existing facilities to extend their service life. The program strives to do resurfacing treatments at the most cost-effective time in the life cycle of a pavement, typically within eight to 12 years.

Budget Environment and Performance Measures

ODOT has been collecting pavement condition information since 1976. In 1976, Oregon's highways were in poor condition with only 51% rated fair or better. Conditions improved to a high of 83 % rated fair or better in 1993. Although the current level is slightly improved over the last biennium, conditions have dropped to the current level of 78% fair or better since 1993. Costs escalate as road conditions deteriorate into the "poor" category. To maintain the state highways at the current level of 78% fair or better, ODOT must pave 550 miles of existing roadway per year. ODOT does not have enough money to maintain current pavement conditions, and the system-wide conditions are expected to drop to 76% fair or better by 2003. Features like drainage systems, sidewalks and other urban features can add $170,000 or more per lane mile to urban preservation projects. To stretch the funds for pavement preservation, ODOT may exclude these features from preservation projects or seek other types of funding to replace a portion of the revenue and will ask cities and developers to pay more of these costs. ODOT estimates that preservation needs are funded at $60 million less per year than needed to maintain an average highway pavement condition of 78% fair or better.

The primary performance indicator for this program is the pavement condition index. The agency target is to maintain the current average of 78% fair or better. The 2001-03 proposed budget assumed the pavement condition rate would be reduced by 1% per year. The amount of funding for Highway Preservation is proposed to be increased by $1.4 million but is not expected to increase the condition rating for pavement but will help slow the decline.

Governor's Budget

The Governor's recommended budget of $291.8 million Other Funds is $31.7 million or 12% higher than 1999-01 estimated expenditures and $1.4 million higher than the current service level. The base budget has been adjusted to reflect reallocation of expenditure limitations among Highway Programs approved by the Emergency Board during the interim and to reflect reduced revenues. The increased funding provided for preservation projects is expected to slow the rate of decline in pavement condition ratings.

ODOT – Highway Bridge

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	86,035,835	127,230,756	137,166,710	140,019,884
Positions (FTE)	149.38	147.86	149.08	149.08

Program Description

This program preserves more than 2,600 bridges, tunnels and culverts on the state highway system. There are two generations of bridges in Oregon; those built in the 1930s and those built in the 1960s. The program includes: repairing structural deterioration; raising bridges to increase vertical clearance; major bridge painting; repairing and preventing streambed scouring near bridges; protecting bridges from earthquake damage; repairing and protecting bridges against corrosion damage; upgrading electrical and mechanical systems in movable bridges; and making safety improvements such as installing new railings and making bridges wider.

Budget Environment and Performance Measures

A large number of bridges are nearing the end of their expected life and need repair or replacement. Twenty-three percent of state-owned bridges are more than 50 years old and require extensive rehabilitation and/or replacement. Bridge projects are more costly and variable than highway work of comparable length. ODOT estimates that bridge needs are funded at $48 million per year less than needed to keep pace with normal wear and tear. ODOT can address 30 of the 75 bridges that need to be replaced or rehabilitated annually. Sixteen to 18 bridges will require emergency repair annually. The total cost for seismic retrofitting (strengthen for earthquakes) the high priority bridges is estimated at $560 million. ODOT currently spends $4 million annually on seismic retrofitting.

The primary performance indicator for this program is the Bridge Value Index. The agency target is to maintain the 1997 level of 87.9 percent. Currently the bridge value is 87.1 percent. The 2001-03 proposed budget assumes the rate will continue to decline to 86.6 percent. The amount of proposed funding for Highway Bridges is increased by $2.8 million. It is not expected to increase the condition rating for bridges but will help slow the decline.

Governor's Budget

The Governor's recommended budget of $140 million Other Funds is $12.8 million or 10% higher than 1999-01 estimated expenditures and $2.8 million or 2% higher than the 2001-03 current service level. The increased funding provided for preservation projects is expected to slow the rate of decline in bridge conditions and minimize the number of bridges that will have to be weight restricted.

ODOT – Highway Safety

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	32,345,304	35,024,951	56,657,504	56,657,504
Positions (FTE)	50.29	48.30	43.29	43.29

Program Description

The Safety Program identifies sections of state highway where there are the most fatal and serious injury accidents. Accidents are analyzed to find the most optimal corrective actions to be taken by the Department. Corrections may include additional lanes, turning refuges, speed limit changes, sign changes, access control, or other corrections.

Budget Environment and Performance Measures

Increases in population have created more traffic, in turn creating more congestion and consequently more accidents. Funding targets high crash locations and is often associated with preservation projects. Stand-alone safety projects address specific crash types. To free up funds for safety improvements in critical areas, selected preservation projects are being scaled down to minimum design standards if there is not a history of accidents for that site.

The Oregon Highway Safety Action Plan states an objective of a reduced traffic fatality rate. The goal is 1.3 fatalities per 100 million vehicle miles traveled by the year 2010. The current rate is 1.2. The Department's strategy is to focus investments on problem stretches of highway to meet the goal. The Highway Safety program uses a Safety Priority Index System (SPIS) to assist in prioritizing safety projects in the *Statewide Transportation Improvement Plan*. The SPIS index combines crash frequency, severity and rate to determine the crash experience index. There are over 5,300 sites on the state highway system in the top 10% range of the SPIS. In addition Highway Safety assigns a safety category index to highway segments. Approximately 25% of the state highway system have a Category 3, 4, or 5 safety designation. Safety category 3, 4 and 5 segments are 5-mile roadway segments which have three or more fatal and/or serious injury crashes.

Governor's Budget

The Governor's recommended budget of $56.6 million Other Funds is $21.6 million or 62% higher than the 1999-01 estimated budget and equal to the 2001-03 current service level. The base budget has been adjusted to reflect reallocation of expenditure limitations among Highway Programs approved by the Emergency Board during the interim and to reflect reduced revenues. The increase between 1999-01 estimated expenditure levels and 2001-03 current service levels reflects adjustments in the base budget to reflect reallocation of resources among Highway program units.

ODOT – Highway Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	32,025,690	33,978,499	47,992,385	47,992,385
Positions (FTE)	122.37	182.69	180.37	180.37

Program Description

Highway Operations includes planning, development and maintenance of improvements to relieve or prevent traffic congestion. Programs include intelligent transportation systems; transportation system management, including interconnected traffic signal systems, new traffic signals, ramp metering, signs, and electronic variable message signs; incident management, including rock fall and slide repairs; and demand management, including ride share, van pool, and park and ride programs. Operational projects are one way to maximize the efficiency of the state highway system using available funds, leading to safer traffic operations and greater system reliability.

Budget Environment and Performance Measures

Increasing populations and limited funding place more reliance on system efficiency tools to increase safety and manage congestion. Community land-use patterns and access between properties and on transportation systems within communities has the greatest impact on transportation efficiency. ODOT estimates current funding is $14 million less than needed to replace signs, signals and lighting, do preventive work on slides and rock fall and employ technology to help solve congestion and safety problems. Operations activities are prioritized utilizing the Oregon Information Technology Systems Strategic Plan.

Vehicle Miles Traveled (VMT) is a key indicator for this program area. Operations activities to reduce VMT and one-person commutes are achieved through transportation demand management strategies and improved transit information systems.

Governor's Budget

The Governor's recommended budget of $48 million Other Funds is $14 million or 4% more than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The base budget has been adjusted to reflect reallocation of expenditure limitations among Highway Programs approved by the Emergency Board during the interim and to reflect reduced revenues. The increase between the 1999-01 estimated expenditure level and the 2001-03 current service level reflects adjustments in the base budget for reallocation of resources among Highway program units.

ODOT – Highway Modernization

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	303,836,921	268,500,480	189,195,379	189,195,379
Positions (FTE)	132.92	246.39	201.08	201.08

Program Description

The Modernization program designs and builds highway improvements that add capacity to accommodate current or projected traffic growth. This includes adding traffic lanes for passing and climbing, turning, accelerating and decelerating; building new road alignments or facilities, including bypasses; reconstructing roads with major alignment improvements or major widening; and widening bridges to add travel lanes.

Budget Environment and Performance Measures

Modernization needs are calculated by combining current traffic conditions with projections of future highway demand. ODOT is shifting its emphasis from modernization to preservation of roads and bridges. Several modernization projects programmed in the STIP after 2001 have been placed on hold. ODOT is proposing legislation that will eliminate the requirement to dedicate a percentage of the highway fund to modernization projects. Proposed expenditure limitations reflect state-matching funds for federal earmarked projects provided through TEA-21; projects already underway; and projects in the 2001-03 STIP up to the state minimum of approximately $102 to $108 million per biennium. This minimum level of funding requires phasing modernization projects over several years resulting in longer traffic disruptions and higher costs. This funding level meets approximately 14% of the need for increased capacity.

No specific performance measures have been identified for this program.

Governor's Budget

The Governor's recommended budget of $189 million Other Funds is $79.3 million or 30% lower than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The base budget has been adjusted to reflect reallocation of expenditure limitations among Highway Programs approved by the Emergency Board during the interim and to reflect reduced revenues. The Department adjusted the base budget to reflect reallocation of resources among Highway program units.

ODOT – Highway Planning and Research

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	22,955,631	23,505,034	24,865,497	24,024,134
Positions (FTE)	57.88	58.80	57.88	58.88

Program Description

The major Highway Planning functions performed by Highway regional offices include Corridor Plan development, Community Transportation System Plan review, growth management studies, land development review, and assistance to local governments on periodic comprehensive plan reviews.

Budget Environment and Performance Measures

ODOT provides funds each year for local government planning activities including Metropolitan Planning Organization plans (MPO), local Transportation System Plans (TSP) and transportation growth management tools. Of 31 defined corridors, five plans have been adopted with 21 plans in development. Population growth is outpacing ODOT planners' abilities to fully participate in both state and local planning processes. Based on the 2000 U.S. Census, two additional MPOs may be created. Areas potentially larger than 200,000 population, such as Eugene-Springfield and Salem-Keizer, may also change status to Transportation Management areas requiring staff support from ODOT. The Department intends to pursue an additional position to support prioritizing the statewide inventory of aggregate resource sites in accordance with Goal 5 "to protect natural resources and conserve scenic and historic areas and open spaces" of the Statewide Planning Goals and Guidelines. The position will be funded by shifting funding from an interagency agreement with the Land

Conservation and Development Commission (LCDC) for supporting statewide compliance with Goal 5 to state highway transportation needs. The result will be reduced support for local government efforts to comply with Goal 5 if LCDC is unable to fill the funding gap.

Key performance indicators for Highway Planning and Research relate to staff support to MPO's, development review, and transportation system plans. Staff support to these MPO's will continue at the existing level due to a federal mandate. There are approximately 1,500 development application cases each year, ranging from business additions to construction of major commercial centers. Due to budget reductions, this number will be reduced, and the regions will have to be more selective in which applications are reviewed that have the potential to impact the state highway. Most local governments are required to development Transportation System Plans (TSP's). The local governments take the lead role but ODOT provides funds, staff and data to help. Approximately 52% have been adopted and approximately 43% are either under development or in the adoption phase with the remainder not yet begun. The reduction in funding will extend the amount of time that the plans are under development and will require the local governments to provide more financial support.

Governor's Budget

The Governor's recommended budget of $24 million Other Funds is $0.5 million or 2% higher than 1999-01 estimated expenditures and $0.8 million or 3% less than the 2001-03 current service level. The base budget has been adjusted to reflect reallocation of expenditure limitations among Highway Programs approved by the Emergency Board during the interim and to reflect reduced revenues. The budget includes establishing one Natural Resource Specialist 4 position (1.00 FTE) at a cost of $158,637 to identify and manage all of ODOT's aggregate sites around the state. The enhancement is supported with Other Funds that previously went to the Department of Land Conservation and Development (DLCD). The budget also reduces Transportation Growth Management by $1 million to support reallocation of resources for bridge and road preservation projects.

ODOT – Highway Special Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	136,666,370	129,891,008	114,491,716	114,491,716
Positions (FTE)	432.77	411.37	449.83	449.83

Program Description

A number of smaller special programs present unique challenges to Oregon's Highway Program. Positions associated with some of the work in these programs are generally budgeted in other highway program areas and reimbursed for services performed in these categories. These payments are in turn used to backfill program staff with contracted work for current services. In activity areas where no FTE are assigned, the level of support is a small part of multiple positions and varies from year to year. Special program activities include:

- ***Oregon Plan for Salmon and Watersheds*** identifies how state and federal agencies will restore threatened or endangered salmon species and meet the requirements of the Clean Water Act. Projects include highway culverts, opening tide gates and other improvements to help fish affected by Oregon highways.
- ***Environmental Services*** provides support to help ODOT comply with the National Environmental Policy Act and more than 40 other environmental laws and regulations covering air quality, acoustics, archaeology, cultural resources, energy, hazardous materials, biology, threatened and endangered species, wetlands, water quality and visual impacts.
- ***Scenic Byways*** (1.00 FTE) support identification and protection of Oregon's most outstanding scenic roads. To be eligible for the Federal Highway Administration Scenic Byway Program designation and scenic byways funding, local sponsors first seek a State designation from the State Scenic Byway Committee after which they are eligible to submit application for a national designation.
- ***Pedestrian and Bicycle*** (2.00 FTE) insures compliance with state law requiring reasonable amounts of highway funds to be spent on footpaths and bicycle trails. This activity includes a local assistance grant program for these types of improvements.
- ***Winter Recreation Parking*** pays for snow removal and enforcement at designated winter recreation area parking locations. Revenue for this program comes from selling Sno-Park permits.
- ***Snowmobile Facilities*** develops and maintains snowmobile facilities including buying land, enforcing registration, operation and equipment requirements. Revenues come from registration fees and fuel taxes attributed to snowmobile use.

- ***Reimbursables*** recovers costs associated with work done by ODOT. The work includes damage to highway structures; services to public agencies; citizens and businesses not associated with STIP projects; real estate sales or purchases associated with transferring management service staff far from their present homes; and the purchase and resale of favorably priced fuel to other state agencies.
- ***Civil Rights*** (11.00 FTE) manages ODOT's federally mandated internal and external affirmative action programs.
- ***Surplus Property*** (11.00 FTE) leases and sells property acquired by ODOT for highway construction projects when it no longer has a present or future use to the department.
- ***Rights-of-Way for Other Agencies*** recovers costs associated with providing department staff resources who have expertise in right-of-way acquisition to acquire required rights-of-way for local agencies who do not have the staff resources to do the work for their construction projects. Costs are recovered from the project.
- *Immediate Opportunity Fund (IOF)* gives matching grants of up to $500,000 to industrial companies that need to build or improve roads to serve new or expanded plants.
- ***Administration*** (50 FTE)***, Materials Testing Lab*** (37.92 FTE)***, and Indirect Services*** (306.33 FTE) are costs incurred for a common or joint purpose that benefit more than one project or service and cannot be cost effectively or easily charged directly to individual projects or services. These costs include management, supervision and administrative control of the agency, awards programs, non job-related time such as contract negotiations office expenses, facilities costs, training and education, work planning, service contracts, crew team and safety meetings and quality assurance and quality control.
- ***Highway Deputy Directors, Highway Finance and Project Delivery*** (28.58 FTE) includes support staff (2.00 FTE) for the Highway program Executive Deputy Director; direct highway financial support (15.08 FTE) including budget, funds and grant tracking, financial coordination for regions, report writing and financial analysis; and Project Delivery (10.5 FTE) focused on improved design quality and performance.
- ***Other Special Programs*** (2.00 FTE) contains miscellaneous expenses such as work on bridges, facilities and roads of historical interest, safety rest areas, district office facilities work, independent wetland mitigation and miscellaneous tourist signing.

Budget Environment and Performance Measures

Most of these programs are funded from state and federal highway resources. Revenues for Winter Recreation Parking comes from the sale of permits. Workload statistics are tracked in the areas of the Salmon Plan, Snowmobile and Snow Park facilities, civil rights and right-of-way property management. No performance measures have been identified for this program.

Governor's Budget

The Governor's recommended budget of $114.5 million Other Funds is $15.4 million or 12% less than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The base budget has been adjusted to reflect reallocation of expenditure limitations among Highway Programs are approved by the Emergency Board during the interim and to reflect reduced revenues.

ODOT – Highway Emergency Relief

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	17,790,017	14,800,946	2,100,286	2,100,286
Positions (FTE)	3.00	3.00	3.00	3.00

Program Description

The Highway Emergency Relief program repairs or builds highways, roads and trails that suffer serious damage from natural disasters such as earthquakes and floods. The Federal Highway Administration Emergency Relief program supplements state resources in case of damage to the Federal Aid Highway System. Application for these federal funds requires a declaration of emergency by the governor and damage must generally exceed $1 million from a single event.

Budget Environment and Performance Measures

Limited resources for preventative maintenance that would minimize damage from natural disasters restricts the amount of work that can be done to protect highways or bridges against a major event. Emergency repair projects under $1 million are included in the Maintenance Program expenditure limitation. No performance measures have been identified for this program.

Governor's Budget

The Governor's recommended budget of $2.1 million Other Funds is $12.7 million or 85% less than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The primary changes from 1999-01 estimates are due to adjustments to reflect phasing out $6 million for changes in contractor payments and $7.5 million for one time emergency repairs for slide and storm damage during 1999-01.

ODOT – Highway/Local Government Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	178,943,018	91,043,507	122,122,170	122,122,170
Positions (FTE)	22.96	24.32	22.96	22.96

Program Description

The purpose of the Local Government Program is to work in a cooperative venture with cities, counties and regional planning agencies to insure priority transportation needs are met. ODOT provides federal revenues and reimbursements to local governments for surface transportation, local bridges, congestion mitigation, transportation enhancements and planning. The Legislature mandated $1 million in state gas tax revenues be distributed among cities under 5,000 population. ODOT shares a portion of its Federal Funds with counties and cities outside the Portland metropolitan area whose population is greater than 5,000. The Portland metropolitan area gets a specific amount through a separate federal appropriation dedicated to population areas over 200,000 called a Transportation Management Area.

Budget Environment and Performance Measures

Local governments face the same critical transportation issues as the state. Pressure on property taxes and local general funds and no increases in state funding have left local communities with fewer resources for transportation. The demands on state funds to match increases in federal revenue and meet state requirements caused the Local Government Fund Exchange program to be re-evaluated. In the Local Government Fund Exchange program local governments can exchange $1 of their federal fund allocation for 94 cents in state highway funds. Exchanging federal funds for state funds helps local agencies avoid complicated federal contracting regulations and ensures that all federal funds are expended within required timelines. The Local Government Fund Exchange Program will not be available in the 2001-03 biennium due to insufficient state funds available for ODOT to exchange. Previous commitments will pay out into 2002. With the suspension of the fund exchange, expenditures will decline as the outstanding projects are completed. Expenditures under the federal surface transportation program will increase but may be slow to develop due to the need to accumulate funds to make meaningful projects and the longer than anticipated delivery time to develop a federal project.

No specific performance measures have been identified for this program.

Governor's Budget

The Governor's recommended budget of $122 million Other Funds is $31 million or 34% higher than the 1999-01 estimated budget and equal to the 2001-03 current service level. The Department adjusted the base budget to reflect local government highway improvement projects scheduled for construction during the 2001-03 biennium.

ODOT – Driver and Motor Vehicles

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	180,801	145,948	153,612	153,612
Other Funds	147,784,240	115,960,674	115,978,388	126,436,971
Total	**147,965,041**	**116,106,622**	**116,132,000**	**126,590,583**
Positions (FTE)	926.32	863.55	833.05	870.55

Program Description

Driver and Motor Vehicles (DMV) licenses and registers over 6.5 million drivers and motor vehicles and enforces motor vehicle-related laws. There are 67 DMV offices statewide serving more than 13,000 walk-in customers each day. In addition, DMV personnel process more than 16 million transactions and respond to over 1.2 million phone inquiries each year. Law enforcement agencies access DMV computer information files more than 31,000 times each day, and insurance companies, banks, law firms, and others access over 11,000 DMV records every day.

Revenue Sources and Relationships

DMV is supported from fees levied for the various services it provides. Passenger vehicle registration fees are the largest single revenue collected, followed by driver licenses, and truck and trailer licensing fees. Together these revenues represent 96% of total estimated 2001-03 DMV gross revenue collections ($287.3 million). Revenue in excess of amounts needed to cover DMV operating costs is transferred to the State Highway Fund and other agencies as mandated by law. Approximately 47% of the revenues collected are transferred to the State Highway Fund and other agencies. DMV proposes a legislative concept to cover the actual cost of providing services. The revenue initiative is estimated to generate approximately $32.6 million in 2001-03.

Budget Environment and Performance Measures

During the 1999-01 biennium a $6.3 million shortfall in ODOT revenue caused DMV to reduce services by delaying investments in existing field offices information technology infrastructure and planned expansion of field offices. The revenue shortfall is expected to continue into the 2001-03 biennium. As a result of reduced funding eight field offices were identified for closure. Office closures were initiated in the 1999-01 biennium as leases came up for renewal resulting in a cost avoidance of $75,527 in 1999-01 and projected savings of $342,000 for 2001-03. In addition, staff in remaining offices will be reduced as vacancies occur, technology projects will be limited to supporting existing programs, and expenditures in services and supplies will be reduced. The Division intends to continue to pursue alternative ways of doing business that do not require the expensive face to face interactions without jeopardizing the field presence. The Legislature directed DMV to investigate ways to privatize or outsource portions of DMV work. Private companies now perform drive tests and administer knowledge exams. DMV initiated a pilot program with third-party integrators to enable dealers to register vehicles at the time of purchase. Future expansion of privatization initiatives and consumer services, such as vehicle registration renewals that require an electronic interface, will be delayed by a lack of resources. The Division is proposing fee increases that will allow the Division to eliminate the current Highway Fund subsidy of $22.6 million to DMV and provide an additional $10 million for DMV to enhance service delivery through technology and other services and implement new initiatives for driver safety and older drivers.

DMV uses five customer satisfaction measures and 11 service level measures to measure services to its customers. Results are reviewed and goals established for the future biennium. A key performance indicator for customer service is number of minutes the average DMV Field Office customer must wait in line before receiving service at the counter. The measure demonstrates timeliness of the Driver and Motor Vehicle Services Division. Currently, the agency goal is 15 minutes with an achievement of 14 minutes. ODOT's projected 2001-03 budget assumes that wait times in office and on the telephone will increase to 18 minutes in some offices due to reductions in staff proposed in the budget, but the overall target of 15 minutes is expected. Examples of DMV's key indicators for business effectiveness are cost per transaction and transactions per hour worked. Cost per transaction is measured by dividing the total number of transactions in a year by the total expenditures for that year. Because transaction numbers are forecast to increase for 2001-03 while resources remain flat, the cost per transaction is projected to decrease for the 2001-03 biennium. Transactions per hour worked measures productivity. Since 1996 there has been a steady increase in productivity. For the 2001-03 biennium, transaction numbers are forecast to increase while the number of available hours to perform the work is constrained by available revenue resulting in a decline in productivity unless revenues become available to invest in automating processes.

Governor's Budget

The Governor's recommended budget of $122 million Other Funds is $10.4 million or 9% higher than both 1999-01 estimated expenditures and the 2001-03 current service level. The Governor recommends approval of decision packages to increase the expenditure limitation by:

- $203,000 Other Funds to support a legislative concept that gives DMV the ability to establish vehicle brands and define low speed and hybrid brands. The concept enables DMV to respond to changes in state and federal laws that create the need for more brands or titles and properly title, register, and collect fees for the vehicles. Funding is one time and provides computer programming required to implement the concept if it becomes law.
- $255,583 Other Funds to establish two positions (1.50 FTE) supporting two legislative concepts that change knowledge and skill test requirements for driver licenses and propose 10 changes to current law including

removal of redundant future financial responsibility requirements for unsatisfied judgment and failure to file accident report suspensions and removal of the renewal requirement for probationary permits. The positions will conduct additional provisional driver improvement interviews, review additional cases, determine preventable accidents, order and batch letters, schedule interviews, process suspensions, enter restrictions and defensive driving course completions on the driver record. One-time funding for computer programming in the amount of $132,000 will be phased out in the 2003-05 biennium.

- $10,000,000 Other Funds to restore reductions required in the base budget to balance with projected revenues; and to enhance DMV service delivery. The request is contingent on passage of a legislative concept to increase DMV fees.

ODOT – Motor Carrier Transportation

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	0	56,240	117,654	117,654
Other Funds	36,979,503	35,824,861	35,771,119	35,771,119
Federal Funds	2,415,347	2,447,729	2,918,343	6,164,610
Total	**39,394,850**	**38,328,830**	**38,807,116**	**42,053,383**
Positions (FTE)	322.00	279.29	281.79	281.79

** Current Service Level figure differs from Governor's Recommended due to LFO technical adjustment to include biennialized June, 2000 Emergency Board Action in CSL ($117,654 GF; $470,614 FF).*

Program Description

The Motor Carrier Transportation Division (MCTD) is responsible for administering and enforcing laws related to motor carriers including regulations related to commercial vehicle registration, safety, and weight-mile tax regulation. MCTD processes over-dimension permits and performs size and weight enforcement functions that previously were part of the DMV's responsibility prior to the mid-1990s. MCTD also administers rules and regulations governing commercial vehicle weights and measures, operating at six ports-of-entry and at 52 permanent scales and 29 portable scale sites.

Revenue Sources and Relationships

Revenues from weight mile taxes, commercial vehicle registrations, and permits provide the primary resources to support this division. All revenue in excess of the amount required for carrying out the regulatory and safety programs is transferred to the State Highway Fund. Approximately 91% of the revenues collected are transferred to the State Highway Fund. Over $5 million in Federal Funds is projected in the 2001-03 biennium for commercial vehicle safety enforcement efforts under the Motor Carrier Safety Assistance Program (MCSAP). This represents a 53% increase in funding over the 1999-01 budgeted levels. The MCSAP program requires a 20% state match. Current program expenditures contributed to the 20% match requiring no financial outlay from the state. Law enforcement and local government MCSAP recipients provide their own match. A small amount of General Fund; ($117,654) provides the 20% match required to fund DMV's implementation of legislation that requires a truck driver's positive drug and alcohol test result be filed with the Department and posted on the driver's record.

Budget Environment and Performance Measures

State and federal funds have been invested to modernize 21 weight stations with intelligent transportation systems that weigh trucks in-motion and electronically screen them. Although this enhances weigh station capabilities and facilitates freight movement, both the state and the industry are only beginning to realize the value of this system. As more carriers come to understand the operational efficiencies afforded them, usage of the system is expected to grow rapidly. Reductions in the 1999-01 legislatively adopted budget amounted to more than $2 million by holding 25 positions vacant. The agency intends to continue to hold these positions vacant indefinitely to reflect reductions in available revenue. The reduction in staff will result in longer wait times for customers needing service. The Division is able to maintain current safety enforcement services through a letter of understanding with the employee's represented labor group, allowing use of Federal Funds to contract with employees outside of their normal work shifts.

Motor Carrier uses 14 service level measures to measure productivity and services to its customers. Key indicators include size and weight enforcement, green light weight station pre-clearance, number of registration and permit services, telephone wait times, truck safety inspections, truck crash rates and truck at-fault crash rates. Highway Safety is Motor Carrier's top priority. One key performance measure tracks the number of trucks and drivers pulled out-of-service for critical safety violations. The agency target is to have 816 inspections each month result in a truck or driver placed out-of-service, but the current average exceeds 1,000. Another measure for productivity is the number of registration transactions completed by FTE each month. The current target is to have each FTE complete an average of 239 transactions each month, but with recent staff reductions the current average exceeds 270. The 2001-03 proposed budget assumed maintaining the current service level for both measures.

Governor's Budget

The Governor's recommended budget of $42 million total funds is $3.8 million or 10% higher than 1999-01 estimated expenditures and $3.2 million or 8% higher than the 2001-03 current service level. The current service level budget continues implementation of HB 3292 (1999) requiring motor carriers to participate in an alcohol and drug-testing program. The Governor recommends approval of increasing Federal Funds ($3.2 million) to accept expected additional revenues from the Federal Highway Administration for state enforcement of commercial motor vehicle safety and hazardous materials regulation.

ODOT – Transportation Development

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	206,038	206,263	221,843	221,843
Other Funds	29,086,824	36,010,000	36,010,000	33,718,791
Federal Funds	0	167,045	289,086	289,086
Total	**29,292,862**	**36,383,308**	**36,520,929**	**34,229,720**
Positions (FTE)	119.88	125.65	126.29	126.29

Program Description

The Transportation Development Division operates through three sections:

- ***Planning Section*** (63 FTE) guides and supports short- and long-range planning for Oregon's transportation system and administers the statewide Planning and Research Program that directs activities funded by the Federal Highway Administration. The Department adheres to a formal, long-term process that produces, and periodically updates a long-range strategy, reported in the Oregon Transportation Plan (OTP). The Section is responsible for the Department's planning activities. The planning process focuses on five areas of need: urban mobility, rural accessibility, freight transport productivity, safety, and finance. The goals, policies, and proposed actions are translated into specific projects and activities driving toward an integrated transportation system. Specific construction activities are described in the Department's four-year Statewide Transportation Improvement Program (STIP). Other sources of information and criteria for this process are the federal TEA-21, federal clean air, water, and energy acts, state benchmarks, and land use planning goals. Analytical services related to corridor planning, transportation system studies, public transit services, and traffic analyses support the planning process.
- ***Policy Section*** (10 FTE) provides policy and economic analysis and forecasting, analyzes initiatives and issues, conducts strategic planning, researches new technologies, coordinates opinion surveys, supports performance measure tracking and special studies, and coordinates and tracks public involvement/outreach programs for the Department.
- ***Transportation Data Section*** (52.29 FTE) manages and analyzes transportation data to support planning, construction and maintenance, and resource deployment. Data collection and analysis include Oregon Transportation Management System's crash data, transportation inventory/classification, mapping/geographic information systems services, and transportation systems monitoring.

Revenue Sources and Relationships

General planning activities are funded from state and federal highway funds and federal planning grant moneys. Revenue transfers from the highway program, for example, support highway planning, system studies and monitoring, and data gathering.

Budget Environment and Performance Measures

The program's workload focus is expanding to planning and policy matters related to the linkage of transportation and land use, local government transportation system plan reviews, and corridor plan reviews.

These work efforts affect the Division's ability to respond to the needs of local governments and provide the needed projects.

The Transportation Development Program supports three Oregon Benchmarks:

- Benchmark 68 – Hours of travel delay per driver per year in urban areas;
- Benchmark 70 – Percentage of Oregonians who commute to and from work during peak hours by means other than a single occupancy vehicle; and
- Benchmark 71 – Vehicle miles traveled (VMT) per capita in Oregon metropolitan areas per year.

These benchmarks are supported through efforts to reduce transportation demand, manage growth and promote alternative transportation modes. Specific work programs include transportation growth management, access management and the congestion management system.

Performance indicators for the Transportation Data Section include:

- Percent of standard products that meet update cycles. Currently the agency goal is 92% and achievement is 81% as of 1997. The agency goal for the 2001-03 budget is 92 percent.
- Number of custom project requests. Currently the agency goal is 7,000 and achievement is 5,560 in 1997. The 2001-03 budget assumes 5,560 project requests received, a reduction due to utilization of user accessible data technologies such as the internet.

Governor's Budget

The Governor's recommended budget of $34.5 million total funds is $2.1 million or 6% lower than 1999-01 estimated expenditures and $2.3 million or 6% lower than the 2001-03 current service level. The Governor recommends approval of decision packages to increase the expenditure limitation by $8,791 Other Funds to move one Transportation Growth Management Program Technician 2 position (1.00 FTE) from the Department of Land, Conservation and Development (DLCD) to ODOT. DLCD will provide ODOT $12,000 for the Federal Funds state match requirement. The cost of the position and services and supplies is $371,115, offset by a $359,115 reduction in grants to local governments for growth management. A reduction of $2.3 million Other Funds for one position (1.00 FTE) and special payment to the DLCD for Transportation Growth Management is recommended to support increased funding in highway and bridge preservation.

ODOT – Public Transit Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	28,877	9,032,119	9,253,564	8,332,555
Other Funds	750,985	16,025,247	19,762,326	19,759,719
Federal Funds	6,445,923	8,214,400	8,391,938	8,391,938
Total	**7,225,785**	**33,271,766**	**37,407,828**	**36,484,212**
Positions (FTE)	11.04	12.96	13.04	13.04

Program Description

The Public Transit Division develops and encourages the use of transit, ridesharing, walking, bicycling, telecommuting, and other alternatives to driving alone. The Division operates five program areas:

- ***Community Transit*** (6 .00 FTE) manages three grant programs: 1) the statewide Small City and Rural Transit federal grant program that provides transit grants to communities under 50,000 population; 2) the Special Transportation Fund program distributing state cigarette tax and General Fund to local governments for transportation services benefiting elderly and disabled people; and 3) the statewide Senior and Handicapped Capital federal grant program, which funds the purchase of vehicles and other equipment for special needs transportation. Staff coordinate efforts with other state agencies, providers, and local government agencies to meet client transportation needs. Training and technical assistance are also provided to staff from small-city and rural transit systems.
- ***Inter-city Passenger Development*** (1.00 FTE) provides information and technical assistance and manages grant resources for inter-city bus, rail and air passenger services that are needed to connect Oregon communities. Emphasis is placed on improving connections between transportation modes and improving travel information systems.

- ***Transportation Demand Management*** (1.00 FTE) provides financial and technical support to rideshare programs throughout the state. The Section develops policy and promotes alternatives to driving alone such as carpools, "park and ride" lots, flexible schedules, parking management and telecommuting. Targeted information is also provided to commuters, business and pleasure travelers.
- ***Public Transportation Planning*** (1.00 FTE) provides statewide transit policy and planning technical assistance and coordinates urban transit planning, local system planning and multi-modal corridor planning.
- ***Division Administration*** (4.04 FTE) Defines state transit policies, provides leadership and support for the four program areas.

Revenue Sources and Relationships

The Division receives the majority of its funding from federal sources. There are four Federal Transit Administration Programs from which the state receives formula grants: Section 5303 - Metropolitan Planning at approximately $0.7 million per biennium; Section 5310 – the Senior and Disabled Capital Program at approximately $1.8 million per biennium; 5311 - Rural/Small Cities Transit Program Grants for approximately $5.6 million per biennium; and Section 5313b - Statewide Transit Planning at approximately $115,000 per biennium. In addition, the Division receives $10 million in flexible Federal Surface Transportation Program (STP) funds to improve transportation for the elderly and disabled. These STP funds may be used for capital purchases such as vehicles.

The 1999 Legislature appropriated $9 million General Fund to support senior and disabled transportation operating programs. Approximately $30,000 of General Fund is provided for the state's matching requirement for Federal Funds. In addition, $8.6 million in cigarette tax revenue will be passed directly to local governments to support senior and disabled transportation programs. Historically, the cigarette tax revenue was handled as a revenue transfer and not included in the expenditures report.

Budget Environment and Performance Measures

Major challenges for the Division include continued innovation and improvements for public transit services for the elderly, disabled citizens, and rural communities where additional funding by the Legislature created a grant program to communities for strengthened alternative transportation. There is no ongoing dedicated source of state funding for support to urban transit. Aging transit fleets throughout the state will need to be replaced in the near future, or the state risks losing the capital infrastructure to operate the current services. Developing state policy and strategies to provide stable state, federal and local financial support for planned urban transit system improvements will continue to be an issue. The Public Transit Division tracks several key performance indicators for this program that include:

- Annual rides per elderly or disabled Oregonian with current special transportation fund allocations. Currently the agency goal is 7 rides annually for each of Oregon's elderly or disabled residents. The achievement rate is 3.8 rides in 1999-01. The 2001-03 budget anticipates the number of rides per person for special transportation will improve as a result of additional funding. Transportation provider projections indicate an increase from the current 3 million rides annually to a projected 5 million through improvements made possible by the additional investment.
- Total Annual Transit Ridership. Currently the agency goal is to increase ridership. The 2001-03 budget anticipates ridership will continue to increase. Biennial data since 1992 indicates ridership has increased from 68.6 million rides to 85.3 million rides.

The Division also tracks transit vehicle fleet condition, grant payment response time, and grant payment volume as key workload measures.

Governor's Budget

The Governor's recommended budget of $36.4 million total funds is $8.2 million or 29% higher than 1999-01 estimated expenditures and $0.9 million or 2% lower than the 2001-03 current service level. The base budget is adjusted to reflect a change in the way Special Transportation Funds (STF) are reported. The STF distributions have been shifted to a Special Payment expenditure limitation from a revenue transfer to provide a more complete view of the program. The Governor recommends a General Fund program reduction of $0.9 million in the special transportation program for the elderly and disabled. The reduction would reduce funds available for discretionary grants, typically used to purchase vehicles and equipment, and the application of intelligent transportation technology to deliver trip information to the public. Direct transportation services will not be affected. The budget is also reduced by $2,607 Other Funds to support reallocation of resources for highway and bridge preservation projects.

ODOT – Rail Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	385,488	10,690,000	10,296,700	9,375,691
Other Funds	2,650,608	17,117,305	7,007,840	7,505,409
Federal Funds	5,701,052	7,972,837	15,049,666	15,049,666
Total	**8,737,148**	**35,780,142**	**32,354,206**	**31,930,766**
Positions (FTE)	18.13	20.05	20.07	26.13

Program Description

The Rail Division ensures compliance with state regulations related to passenger and freight rail service programs. The Division operates the following program activity areas:

- ***Division Administration*** (2.75 FTE) provides leadership and support, defines state rail policies, and insures rail interests are adequately addressed.
- ***Railroad Safety*** (12.13 FTE) provides safety inspection services of tracks, locomotives and rail cars, and insures compliance with regulations related to hazardous materials and railroad operating practices. Staff also inspects railroad sidings and yards to insure safety of railroad workers in and around railway walk areas, loading docks and bridges. This section is also responsible for safety oversight of Tri-Met's light rail operation as mandated by the Federal Transit Administration.
- ***Crossing Safety*** (7.00 FTE) authorizes all changes at public highway railroad crossings, inspects all public crossings, enforces laws related to crossing blockages, and manages crossing safety improvement projects.
- ***Rail Planning, Projects and Operations*** (4.25 FTE) manages and markets inter-city passenger rail operations and related thruway Motor Coach Service; coordinates Oregon's partnership in the Pacific Northwest High Speed Rail Corridor; and manages railroad improvement projects associated with both passenger and freight rail operations. This activity area also develops and implements freight and passenger rail plans and represents the state on railroad merger and abandonment and rail service issues.

Revenue Sources and Relationships

The programs operate with dedicated federal ($15 million) and state Other Funds ($7.5 million) revenue. State revenues include rail assessments (56%), Highway Fund (33%) and fines, rents and other sales income (11%). In the 1999-01 biennial budget, $10 million from the General Fund was provided to fund purchase of a second locomotive and set of cars for a second daily round trip between Eugene and Portland and to add thruway motor coaches in rural areas to connect with passenger train service.

Budget Environment and Performance Measures

Stable funding for both the passenger rail and short-line rail systems makes the future of rail service in Oregon uncertain. In addition to the 1999 Legislature's General Fund increase to supplement passenger rail service, two of Oregon's short-line rail segments received $500,000 from the Emergency Fund to address deteriorating infrastructure. Growth in the rail industry and increasing responsibilities are stretching Division staff resources to provide adequate services for protecting the public from rail-related incidents, particularly in the crossing safety areas. Local and regional commuter and interurban passenger rail service interest is increasing, with no funds to provide technical assistance from the Division. The Division tracks a number of performance measures related to safety and ridership including:

- Number of public at-grade crossing incidents. The agency goal is to reduce the number of incidents; the achievement rate is 29 in 1999, down four from 1998 but nine more than 1997. The proposed 2001-03 budget assumes a reduction in incidents.
- Number of times rail equipment is derailed because of track conditions. Currently the agency goal is to reduce the number of incidents; the achievement is 19 in 1999, an increase of 6 incidents over 1998 but a reduction of 2 from 1997. The proposed 2001-03 budget assumes a reduction in incidents.
- Number of passengers riding trains. The agency goal is to increase passenger ridership by 11% each year. The proposed 2001-03 budget assumed ridership continues to increase with the additional train service.

Governor's Budget

The Governor's recommended budget of $32 million total funds is $6.1 million or 24% higher than 1999-01 estimated expenditures and $0.4 million or 1% lower than the 2001-03 current service level. The decrease is primarily due to a General Fund program reduction of $0.9 million in the Passenger Rail-Bus Service program. The reduction will eliminate some Amtrak Thruway Motorcoach services to southern, central, and eastern Oregon. Enhancements to the Rail Division proposed budget include:

- Adding $298,006 Other Funds to establish two positions (2.00 FTE) to provide safety oversight of Tri-Met's light rail system and other similar transit and quasi-transit rail operations not under the jurisdiction of the Federal Railroad administration. The program is contingent on passage of legislation to assess a fee to Tri-Met or other similar operations for the cost of safety oversight.
- Reallocating Other Funds to establish three positions (2.25 FTE) for providing technical assistance and staff support to regions and communities needing to develop intercity passenger or commuter rail.
- Adding $138,949 Other Funds and one position (1.00 FTE) to increase the number of highway-railroad grade crossing improvement projects.
- Adding $65,942 Other Funds and one Office specialist 1 position (0.75 FTE) for clerical support for the Rail Division. The Division currently has one clerical position supporting a staff of 20.
- Reducing $5,338 Other Funds to support reallocation of resources to increase Highway and Bridge Preservation Projects.

ODOT – Transportation Safety Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Governor's Recommended
Other Funds	2,541,448	3,955,943	9,435,325	9,245,142
Federal Funds	7,118,089	12,589,149	13,257,560	13,257,560
Total	**9,659,537**	**16,545,092**	**22,692,885**	**22,502,702**
Positions/FTE	15.29	18.71	24.04	24.04

* *Current Service Level Figure differs from Governor's recommended budget due to technical adjustment of $166,157 fund shift from Federal Funds to Other Funds.*

Program Description

The Transportation Safety Division advocates transportation safety through statewide education, enforcement, and engineering. Major efforts focus on occupant protection, intoxicated driving, speeding, youthful drivers, pedestrians, bicyclists, motorcyclists, and employers. Safety programs are operated through over 250 safety grants and contracts awarded annually to local agencies, non-profit groups, the private sector and service providers. The grants use state and federal funds; provide statewide public education and information programs, and reimburse public schools that provide Division-approved driver education programs.

Revenue Sources and Relationships

Seventy percent of the Safety program funds are Federal Funds; the other 30% are state highway funds.

Budget Environment and Performance Measures

A number of factors influence the workload and performance of the Transportation Safety Division. These include traffic safety education and driver training, youthful driver restrictions, posted speeds, passenger safety, and driving under the influence of intoxicants. The 1999 Legislature transferred administration of the Student Driver Training Fund from the Department of Education to the Transportation Safety Division of ODOT. Additional requirements were added to bring consistency to driver/safety education instructor requirements and to course content. The Emergency Board approved the establishment of 1.00 FTE to manage the additional requirements, with 50% of the funding to come from federal grant safety funds and 50% from the Student Driver Training Fund.

Transportation Safety tracks a number of performance indicators including the number of students completing traffic safety education; the percent of people using safety belts; and alcohol related fatalities. The primary performance measure for this program is the number of fatalities per 100 million miles driven. The agency goal is to reduce the number of fatalities. The estimated achievement rate for 1999 is 1.19 representing a reduction from 2.56 in 1985. The 2001-03 proposed budget assumes the number of fatalities will continue to drop.

Governor's Budget

The Governor's recommended budget of $22.5 million total funds is $6 million or 36% higher than 1999-01 estimated expenditures and $0.2 or 1% lower than the 2001-03 current service level. The base budget is adjusted to phase in Other Funds for the Driver Education Program transferred from the Department of Education as directed by the Legislature in HB 2440 (1999). The Governor recommends a program reduction of $0.2 million, anticipating passage of legislation which alters distribution from the Criminal Fines and Assessments Account. The proposed legislation eliminates funding for Transportation Safety's Think First and Trauma Nurses Talk Tough programs.

ODOT – Board of Maritime Pilots

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	215,298	222,089	251,756	251,756
Nonlimited	20,896	4,924	12,223	12,223
Total	**236,194**	**227,013**	**263,979**	**263,979**
Positions (FTE)	1.00	1.00	1.00	1.00

Program Description

The Board of Maritime Pilots is located within the Department of Transportation budget but is independent of the agency and the Oregon Transportation Commission. The Board is charged with the regulation, including examining, licensing, and investigating complaints, of navigation pilots on Oregon's four pilot-required areas. There are currently 69 licensed pilots under the regulatory authority of the Board.

Revenue Sources and Relationships

The Board is a self-supporting entity funded by license fees. Revenues for 1999-01 are estimated to be $222,223 based upon the payment of the $1,500 annual license fee by each of the 67 licensed pilots and miscellaneous other revenues.

Budget Environment and Performance Measures

Workload on licensing activities is expected to remain level throughout 2001-03. Because the Board employs one person to perform all duties and responsibilities of the Board, it is not feasible to track performance measures without a major impact on current services.

Governor's Budget

The Governor's recommended budget of $0.2 million is $36,966 or 16% higher than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The budget continues current programs and services.

ODOT – Central Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Lottery Funds	8,438	0	0	0
Other Funds	98,689,507	117,723,442	116,274,529	114,918,713
Federal Funds	332,158	188,563	116,016	116,016
Total	**99,030,103**	**117,912,005**	**116,390,545**	**115,034,729**
Positions (FTE)	485.96	527.11	519.17	551.42

Program Description

Central Services provides the core administrative functions that support each of the programs. This program includes:

- ***Director's Office*** (5.00 FTE) includes the Department Director and support staff who oversee all operations and programs.
- ***Communications*** (27.75 FTE) accomplishes work through two major program areas. Government Relations is primarily responsible for working with the Oregon Legislature, members of the Oregon Congressional delegation, and local government officials and for analyzing federal and state laws and rules affecting transportation. The Public Affairs and Employee Communications unit provides information on

transportation programs and activities to the public and keeps ODOT's workforce informed about developments affecting their jobs.

- ***Central Services Administration*** (2.00 FTE) includes the Executive Deputy Director and a support person for management of Financial Services, Human Resources, Information Systems, Internal Audit Services and Support Services.
- ***Financial Services*** (149.25 FTE) provides the Department with accounting and financial services including accounting, and collections, budget, performance measures, and financial analysis.
- ***Human Resources*** (57.67 FTE) provides technical advice on personnel, safety and training issues and manages the Department's human resource systems and processes. Human Resource staff work closely with operating divisions to identify options to meet staffing needs and more efficient ways of doing business.
- ***Information Systems*** (263.58 FTE) includes planning, developing and supporting business application systems, technology infrastructure and supporting telephone, electronic mail and radio communication systems.
- ***Internal Audit Services*** (7 FTE) is responsible for assuring that effective management controls are in place and functioning properly.
- ***Support Services*** (39.17 FTE) provides a variety of services to all ODOT programs including purchasing and contract management, fleet, supply and reprographic operations, facility improvements and general maintenance of ODOT facilities.

Revenue Sources and Relationships

Central Services is supported by a combination of direct and indirect charges. Direct charges are applied where the service can be accurately measured such as in computer charges and Highway Fuel Tax accounting. The bulk of the revenues, however, come from indirect charges that are assessed to each division primarily based upon its number of full-time equivalent positions.

Budget Environment and Performance Measures

Workload in Central Services is driven by the workload factors affecting the Department as a whole. This includes factors such as the demographic changes in Oregon's population and economy, implementation of federal appropriation legislation, rapidly changing information technology, and efficient delivery of programs. Budget reductions were made during the 1999-01 biennium to realign program expenditures with adjusted revenue forecasts. Proposed 2001-03 expenditures are at the reduced 1999-01 budget levels requiring a reduction in services to accommodate realignment of resources to critical operations.

Key performance measures in the Central Services program include:

- Financial Services cost per direct service hour. The agency goal is currently being established. The 1999-01 achievement rate is $40. ODOT's projected 2001-03 budget assumes the current rate of $40.
- Percent recruitment announcements completed within six weeks. Currently, the agency goal is 75% and the achievement rate is 58 percent. ODOT's projected 2001-03 budget assumes 75 percent.
- Percent Information Systems available. Currently, the agency goal is 99 percent. Achievement is 100% for network up times, 99.8% for email availability and 99.4% for DMV applications availability. ODOT's projected 2001-03 budget assumes 99 percent.
- Percentage of direct service provided by Support Services. Currently, the agency goal is 83 percent. Achievement is 83.2% for 1999-01. ODOT's projected 2001-03 budget assumes 83 percent.
- Percentage of citizens' issues responded to within five working days. The agency goal is 100% and average achievement is 96 percent. ODOT's projected 2001-03 budget assumes 100 percent.

Governor's Budget

The Governor's recommended budget of $115 million total funds is $2.9 million or 2% lower than 1999-01 estimated expenditures and $1.4 million or 1% lower than the 2001-03 current service level. Reductions to the current service level include:

- $155,816 Other Funds to establish 41 positions (35.58 FTE) to replace contracted and temporary staff in Information Systems. The proposal results in full-time on-call support for the Department's information systems technology programs. The reduction in expenditure reduces assessments to the remaining agency divisions, in turn increasing revenue for other Department priorities.
- $200,000 Other Funds and three positions (3.33 FTE) for special events and public affairs. The reduction results in reduced ability to design and publish informational materials.
- $250,000 Other Funds and two positions (2.00 FTE) in financial reporting.

- $134,000 Other Funds and one position (1.33 FTE) in training activities.
- $500,000 Other Funds in software and hardware upgrades for client service infrastructure. The result is delayed replacement of hardware and software.
- $116,000 Other Funds and one position (1.00 FTE) for agency mail service coordination. The reduction results in Divisions assuming the responsibilities managed by the agency mail services coordinator.

ODOT – Nonlimited

Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	13,895,835	16,891,726	25,491,163	25,491,163

Support Services and Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	40,984,989	40,104,335	39,581,352	39,581,352
Positions (FTE)	213.92	180.00	178.00	178.00

Program Description

Nonlimited programs record revenues and expenses for transactions that are generally internal to the agency and serve operating programs that are subject to expenditure limitation. They are nonlimited because the level of activity is generally unpredictable. Nonlimited sections of the budget are Debt Service, Support Services and Operations. Services within the budget include testing and inspecting roadway materials; purchasing equipment and fleet vehicles; repairing equipment in the field and in shops located in Salem, Bend, and LaGrande; selling and distributing fuel; operating storerooms; and designing and manufacturing signs and traffic signals.

Revenue Sources and Relationships

- ***Debt Service:*** Debt service in this program relates to highway construction bonds and loan disbursements from the Oregon Transportation Infrastructure Fund (OTIF). Debt service is paid from the State Highway Fund. Total debt service payments for outstanding highway construction bonds already issued by ODOT are expected to be $16.4 million during the 2001-03 biennium. The OTIF makes loans to local governments, transit providers and other eligible borrowers. As loans are repaid, principal and interest are returned to the OTIF and are available for new loans. Loan disbursements for the 2001-03 biennium are estimated to be $10 Million.
- ***Support Services and Operations:*** Revenues are received from other divisions within the Department for facilities management, fleet operations, fleet repair, acquisition and distribution, testing and inspecting roadway materials, sign and traffic signal design and manufacturing, and quality assurance testing. Some services are sold to local agencies. Examples of services provided are facilities maintenance and construction, operation of truck and equipment repair facilities, inventory maintenance, and purchasing. These expenditures are limited in the division or agency receiving the service.

Governor's Budget

The Governor's recommended budget for Nonlimited Debt Service is $25 million, $8.6 million or 51% higher than 1999-01 estimated expenditures and equal to the current service level. The Nonlimited Support Services Program is $39.6 million, $0.5 million or 1% lower than 1999-01 estimated expenditures and equal to the 2001-03 current service level. The base budget was adjusted to reflect available revenues. The budget continues current services and programs.

ODOT – Light Rail Debt Service

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Lottery Funds	19,994,828	19,993,390	19,994,850	19,994,850
Other Funds	39,926,708		0	0
Total	**59,921,536**	**19,993,390**	**19,994,850**	**19,994,850**

Program Description

The legislatively adopted Light Rail program includes the state's share of funding for the Westside Light Rail Project in the Portland metropolitan area. Westside Light Rail began operations in September 1998.

Revenue Sources and Relationships

Other Funds are derived from the sale of bonds, which are retired using allocations of Lottery Funds.

Governor's Budget

The Governor's recommended budget is equal to the biennial debt service payments required to repay the bonds used for construction of the Westside Light Rail.

ODOT – Capital Improvements/Capital Construction

	1997-99 Actual *	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	22,709,156	3,529,977	3,529,977	3,529,974
FTE	0.00	0.00	0.00	0.00

* *Fiscal History for Oregon Aviation Department are deducted and shown in Aviation Budget analysis.*

Program Description

The Capital Improvements and Capital Construction program provides for new construction, remodeling or improvements to facilities under the oversight of ODOT. A limited number of Highway construction projects are included in the Capital Improvement and Capital Construction program units.

Revenue Sources and Relationships

Construction activities are funded primarily through federal revenue sources and transfers of state highway funds. Other funding sources include COPs, interest earnings, donations, and grants.

Governor's Budget

The Governor's recommended budget of $3.5 million is essentially equal to 1999-01 estimated expenditures and the 2001-03 current service level. The budget provides $2.5 million Other Funds for 31 identified facility improvement projects and $1 million Other Funds for construction of the Lake of the Woods service garage.

Consumer and Business Services

Board of Accountancy – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	1,240,759	1,412,213	1,416,486	1,606,840
Positions (FTE)	7.00	7.00	7.00	7.00

Program Description

The Board of Accountancy is a seven-member citizen board that licenses and regulates public accountants. The Board administers the examination and licenses individual Certified Public Accountants (CPAs) and Public Accountants (PAs), and their firms. The Board is responsible for investigating complaints, renewing licenses and monitoring the continuing education of its licensees. A staff of seven administers the Board's programs. The Board currently regulates over 900 public accounting firms and over 6,400 public accountants, most of them CPAs. The Board also licenses 300 CPAs to perform audits of state and local government agencies.

Revenue Sources and Relationships

The Board's Other Funds come primarily from business registration fees, biennial licensing fees, and examination fees. In 1999, the Board was granted authority to set fees by administrative rule. Fee increases were made in January 2000 establishing business registration fees at $100, individual biennial licensing fees at $150, and raising civil penalties to a maximum of $5,000 per offense. A fee of $150 is charged for taking the full CPA examination and $50 is charged for taking individual section examinations. Additionally, a small amount of revenue is gained through the selling of mailing lists. With the 1999 fee increases, projected revenue will be more than sufficient to cover increased CPA exam costs, provide additional program expenditures, and generate a large ending balance for 2001-03.

Budget Environment and Performance Measures

The Board is required by statute to offer the Uniform CPA exam twice a year. Recent legislation setting higher educational requirements resulted in an unprecedented number of CPA candidates taking examinations before the new requirements took effect in January 2000. The Board obtained additional limitation from the Emergency Board for expenses associated with the additional examinations and for unanticipated Attorney General costs. While numbers are expected to be initially higher than usual as these additional candidates continue to complete sections of their exam, the Board expects a slight decline of new candidates in future years due to the higher educational requirements. The American Institute of Certified Public Accountants, which owns the exam, charges a fee for grading each exam which will be increased by 38% and later increased by 45% for exams graded during the 2001-03 biennium.

The Board is beginning to develop performance measures for tracking its efficiency and effectiveness. One measure will be to follow the number of complaints relating to professional misconduct. A new continuing education requirement of 4 hours in professional ethics was implemented July 1, 2000. By reviewing misconduct complaints before this date compared to complaints after this date, the Board hopes to evaluate the effectiveness of the new continuation-training requirement. In other measures, the Board will be reviewing complaints and inquiries to evaluate the effectiveness of their consumer information program. In order to evaluate the efficiency of staff, the number of license transactions completed per FTE will be tracked. The Board also plans to contract for independent customer surveys to evaluate performance and aid in improving customer service.

Governor's Budget

The Governor's budget is 13.4% above the current service level. The budget includes $132,207 for costs associated with administration of the CPA examination, salary adjustments totaling $31,808 for one financial investigator, and $26,339 for computer and printer upgrades. Projected revenues from licenses and examinations should more than cover these increases with an estimated ending balance of $601,093. The ending balance represents the equivalent of 10 months operating expenses.

Board of Chiropractic Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	750,918	803,982	785,736	973,054
Positions (FTE)	4.75	4.50	3.75	4.88

Program Description

The Board of Chiropractic Examiners regulates chiropractic physicians, chiropractic assistants and ancillary personnel (physiotherapists, hydrotherapists and electrotherapists) through examination, licensing, and disciplinary programs. The Board consists of five members (four chiropractors and one public member) appointed by the Governor.

Revenue Sources and Relationships

The budget for the Board is supported by Other Funds revenue charged to licensees for professional licenses, examinations and disciplinary actions. Expenditures have been greater than revenue the past few years, with a declining ending balance. To delay a fee increase, the Board has taken base budget reductions in Services and Supplies in the last two biennia, and reduced Personal Services .25 FTE for the current biennium. A fee increase is necessary to maintain current service levels; without an increase the Board would reduce current service levels by approximately $83,000. Fees have not been increased since 1991. The proposed fee increases are as follows:

FEE NAME	CURRENT FEE	PROPOSED FEE
Doctor of Chiropractic Regular Active License	$250	$375
Doctor of Chiropractic Limited License	$187	$281.25
Doctor of Chiropractic Initial License	$100	$150
Doctor of Chiropractic Inactive	$150	$175
Doctor of Chiropractic Application/Examination	$150	$200
Examination Retake	$ 75	$100

With the fee increase, the Board estimates revenues of $977,776 for 2001-03. The ending fund balance is anticipated to be $97,742 for 1999-01, increasing to $102,464 for 2001-03. This represents an operating reserve of 2.5 months. Generally, it is recommended a board's reserve fund equal a 90-day operating reserve. The budget as presented would allow for few unanticipated expenses.

Budget Environment and Performance Measures

The Board licenses nearly 1,400 chiropractors and 400 ancillary personnel annually. The number of active licensees is growing at a modest pace (3%). Increasingly, chiropractic physicians from other states are requesting licensure in Oregon through reciprocity provisions. The Board receives about 40 to 50 written complaints per year with some of those being multiple complaints against the same individual. Disciplinary actions are increasing with 14 actions taken in the 1998-99 reporting period compared with 6 in 1997-98 and 7 in 1996-97. As of August 1, 2000, there are more than a dozen cases pending in various stages of investigation and proposed action. Recent complaints appear to be more complex in nature, including sexual misconduct cases.

The Board and Executive Director have made a strong effort to involve stakeholders (insurance companies, health maintenance organizations, general public) and chiropractors in the Board's strategic planning. The goal is to be more responsive to their needs by providing higher quality service. In March 2000, the Board completed a review and update of its strategic plan and adopted a set of "Outcomes to Achieve". The Board also identified two primary links to benchmarks; Benchmark 30 (Volunteerism) and Benchmark 46 (Health). The Board has not yet developed quantifiable performance measures.

Governor's Budget

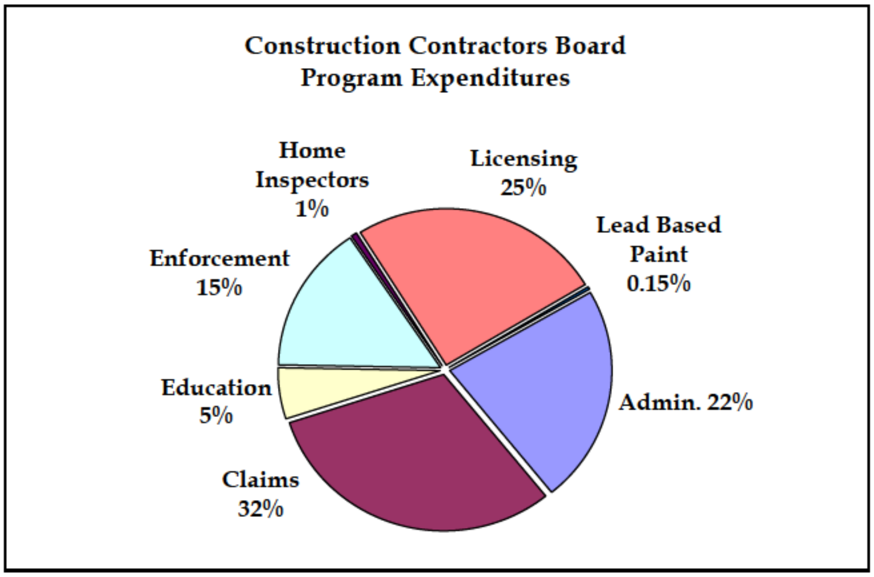
The Governor's budget of $973,054 is a 21% increase over the 1999-01 biennial estimate and 23.8% over the current service level. The Governor's budget includes the fee increase to return the Board to current service level, fund the strategic plan, increase investigative resources, increase meeting and volunteer expenses, increase out-of-state travel, continue practice guideline development for an additional year, and slightly increase office expenses. The budget also includes one, part-time, permanent Investigator (0.38 FTE) position, and associated Services and Supplies costs, to help reduce the growing backlog of complaints and investigations.

Construction Contractors Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	9,159,060	10,657,688	10,630,542	12,151,695
Positions (FTE)	68.08	63.75	63.75	64.75

Program Description

The Construction Contractors Board (CCB) provides services to homeowners, contractors, subcontractors, construction suppliers, bonding and insurance companies, and state and local building officials. The Board regulates the profession of construction contracting and provides consumer protection and dispute resolution services. The Board licenses construction contractors and subcontractors, provides consumer information and education, and resolves disputes. The Board investigates complaints, imposes fines for violations of Oregon laws, including failure to carry workers compensation coverage, and ensures that contractors meet statutory educational requirements. The Board also provides administrative staff support to the Landscape Contractors Board through an interagency agreement.



Revenue Sources and Relationships

The Board has generated a significant beginning balance from a combination of increased fees and from early receipt of license revenue from the conversion from annual to biennial licensing in the 1999-01 biennium. The Board receives approximately 96% of its resources from contractor licensing and renewal fees. These fees were increased by an average of 32% in the 1997-99 biennium. Other revenue includes fees and reimbursements from interagency agreements with the Landscape Contractors Board (LCB), and plumbing and electrical inspection contracts with the Department of Consumer and Business Services, Building Codes Division (BCD). The Board expects to impose $480,000 in civil penalties in 2001-03, and will transfer 80% to the General Fund.

Construction Contractors Board Revenue Totals	1997-99 Actual	1999-01 Estimated	2001-03 Gov.'s Rec.
Beginning Balance - OF	935,630	3,485,963	3,619,803
Civil Penalty	576,809	371,473	480,000
License/Renewal	11,015,451	10,423,831	11,731,350
Fees (Late Fees, etc.)	27,557	22,108	25,000
LCB - Admin	191,012	216,543	229,377
BCD Plumbing/Electric	226,367	54,750	90,000
Civil Penalty - to GF	(327,803)	(297,177)	(400,000)
Total	12,645,023	14,277,491	15,775,530

The Governor's Recommended budget includes a one-time Supplemental Renewal Fee of $18 that is expected to generate approximately $830,000 in 2001-03. The increased revenue would be used to publish and mail an educational manual to each contractor who renews in the 2001-03 biennium.

Budget Environment and Performance Measures

The workload of the Construction Contractors Board increased significantly in the 1990's, as a result of ongoing growth in Oregon's construction industry. Between the 1989 and 2000 Fiscal Years, registrations increased 168 percent, claims increased 132%, and telephone inquiries to the Board increased 200 percent. During the same time period, enforcement actions by the Board increased from 650 per year to 2,800 per year. Beginning with the

1997-99 biennium, CCB workload has stabilized, and the pace of construction is not expected to continue at the rate of increase experienced in the 1990's.

The 1997 Legislature approved 23.5 permanent and 2.5 limited duration positions to address workload growth, a separate hearings unit, and investigator/mediator services. The 1999 Legislature increased the budget by $1million from 1997-99 estimated expenditures and reduced 4.77 Full Time Equivalent (FTE). The FTE reductions reflect the transfer of 6 Hearings Unit staff to the central Hearing Officer Panel in the Employment Department, offset by expansion of a half-time FTE to full-time and 1.75 FTE added for substantive legislation. The Legislature also removed funding for the Oregon State Police Criminal Construction Fraud Unit and replaced it with funding for an Interim Construction Fraud Evaluation Unit. The Unit is under the jurisdiction of the Department of Justice, and includes an Assistant Attorney General and State Police. The Department of Justice will report on the incidence of construction fraud and make recommendations to the 2001 Legislature on the appropriate method for addressing fraud at both the state and local levels.

The 1999-2001 budget contained a number of budget notes that required Emergency Board reports and approval by the Joint Legislative Committee on Information Management and Technology for technology packages. Areas of reporting include classification and compensation, management structure, performance measurement and information management.

The Board has had workload measures in place since 1991. These include:
- Completed files per FTE/year. This measure is subcategorized by licensing, claims and enforcement actions. It is a measure of workload per staff. An example of this measure is licensing files completed per FTE. The agency established a baseline of 1,870 licensing and renewal files per year, with a target of 1,600 and projected 1999-2001 completions of 1,520. The Board has not identified the reasons for the drop in per/staff workload from the baseline to the current target.
- Average time for CCB to take action. This measure is subcategorized by licensing, claims and enforcement actions. This measure is partially an agency-driven (agency time in process) and partially customer-driven (time to respond). An example of this measure is total days to process a claim. The Board established a baseline of 201.4 days to process a claim, with a projected 1999-2001 timeline of 166.2 days and a target of 120 days.
- Units of information provided to consumer monthly. This measure is subcategorized by telephone calls, integrated voice response, web inquiries, and packets of information mailed. It is a measure of staff workload but also suggests progress towards the CCB mission, which is to safeguard consumer rights while promoting a fair, equitable and competitive construction industry environment. CCB has identified a baseline of 28,315 units of information per month, with a projected 1999-2001 level of 45,400 units, and a target of 54,000 units. Most growth is anticipated in passive contacts, through the interactive voice response system and the Web.

The CCB conducts an annual survey of customer satisfaction. It has one outcome measure that is based on the results of this survey. The survey measures respondents rating the following as good or excellent:
- Service - with a baseline of 85%, a 1999-2001 projected rating of 85%, and a target of 90 percent.
- Courtesy - with a baseline of 89%, a 1999-2001 projected rating of 91%, and a target of 92 percent.
- Timely - with a baseline of 82%, a 1999-2001 projected rating of 79% and a target of 90 percent.

CCB has not identified the basis for the targets or the reason for the reduced satisfaction with timeliness in the 1999-2001 biennium.

The 1999 Legislature directed the CCB to work with the Legislative Fiscal Office, the Department of Administrative Services to develop performance measures that will enable it to accurately track performance. CCB is in the process of complying with this direction, but will not have data in place prior to the 2001 legislative session.

Governor's Budget

The Governor's Budget is an increase of $1,521,153 (14.3%) above the current service level and an increase of $1,.494,007 (14%) above 1999-01 estimated expenditures. The budget includes:
- $118,446 for one Enforcement Manager position (1 FTE). This is based on a staffing evaluation done by the Department of Administrative Services in response to a budget note, that indicated a need to segregate the currently combined Deputy Administrator/Enforcement Manager function into two separate functions.

- $104,481 for facilities rent increases and computer replacement costs.
- $828,000 to issue licensing manuals to all contractors who renew their licenses in 2001-03. This is in response to a new statutory provision, effective July 2000, that requires licensing rather than registration, and is intended to provide contractors with the information necessary to obtain or renew licenses. The agency intends to offset this cost through a one-time $18 Supplemental Renewal Fee. The fee increase may not be required to fund this package, as the agency has sufficient funds in its beginning balance ($3.6 million) to support this cost.
- $574,541 to continue support for the Interim Construction Fraud Evaluation Unit at the current level. The Unit is under the direction of the Attorney General and is responsible for evaluating the incidence of construction fraud and prosecuting cases. The continuation of the Unit is based on Attorney General recommendations. Construction Contractor Board revenue supports a Deputy Attorney General, an Oregon State Police officer and a clerical support position.
- A technical adjustment of ($104,315) to reduce limitation for Attorney General costs, telecommunications costs and professional services. This is a current service level related reduction for projects completed in 1999-01.

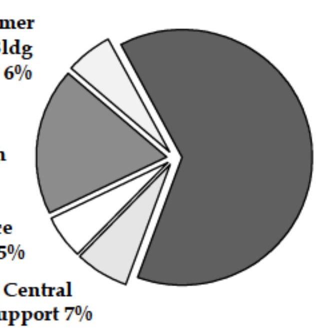
In addition, the budget includes a policy package to eliminate the exemption for general contractors from the Home Inspection Certification program. General contractors would be required to take an examination and pay a $75 fee to become certified as home inspectors. This is expected to generate $21,000 in additional revenue, and will require a statutory change.

Department of Consumer and Business Services (DCBS) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	143,840,074	162,411,855	168,644,112	172,363,152
Nonlimited	247,913,263	272,835,161	309,456,942	309,816,342
Total	**391,753,337**	**435,247,016**	**478,101,054**	**482,179,494**
Positions (FTE)	1158.64	1123.75	1106.26	1138.51

The Department of Consumer and Business Services is organized into four broad program areas that include central administration and three separate consumer-related regulatory functions:

- Central Support, including administrative support, information management and policy direction.
- Regulation and Enforcement of Workplace Safety and Health, including the Workers' Compensation Board, the Workers' Compensation Division, and Oregon Occupational Safety and Health Administration (OR-OSHA).
- Financial and Insurance Regulation and Services, including the Insurance Division, the Division of Finance and Corporate Securities, and the Oregon Medical Insurance Pool.
- Regulation of Building Codes and other consumer services, including the Building Codes Division, the Appraiser Certification and Licensure Board, and the Office of Minority, Women, and Emerging Small Business.
- Nonlimited Programs include the Workers Benefit Fund, nonlimited reserves and payments for workers' compensation, and the Oregon Medical Insurance Pool third-party administrator and claim payments.



Revenue Sources and Relationships

Over 500 dedicated fees, assessments, and charges support the operation of the Department of Consumer and Business Services. In addition, the Department is responsible for the management of a number of dedicated accounts within three separate operating funds: the Consumer and Business Services Fund; the Workers' Benefit Fund; and the Oregon Medical Insurance Pool.

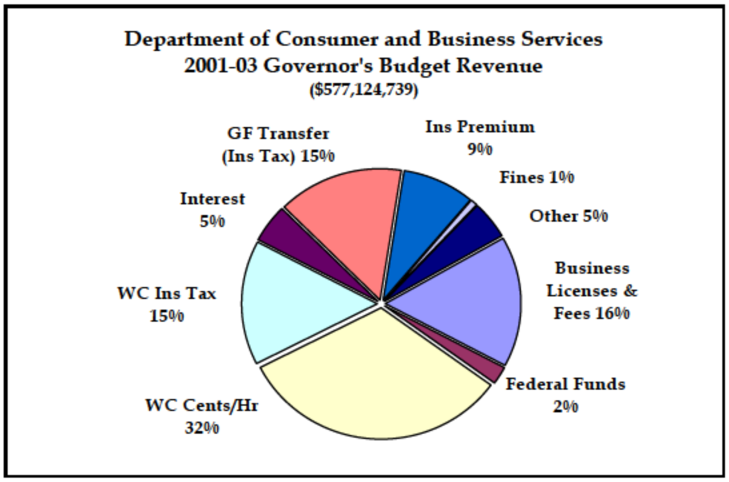
- The Consumer and Business Services Fund is the operating fund for the Department. Revenue sources include the Workers' Compensation Premium Assessment, that supports the workers' compensation-related programs of the Department, business license, and assessments and fees that support Building Codes, insurance and finance and consumer services programs.
- The Workers' Benefit Fund is financed through the Workers' Compensation Cents per Hour assessments paid one-half by employers and one-half by workers. The current rate is 3.6 cents per hour, reduced from 4 cents per hour in 2000. The Fund supports all of the injured workers programs, including the Handicapped Worker, Reemployment Assistance and Rehabilitation programs, and also includes reserves to ensure compensation for injured workers, such as the Non-Complying Employer reserve.
- The Oregon Medical Insurance Pool is funded with premiums collected from insured individuals and insurer assessments. The pool provides access to health care coverage for Oregonians excluded from the health insurance marketplace because of preexisting conditions.

Specific revenue sources include:

- Workers Compensation Cents per Hour that supports the Workers' Benefit Fund;
- Workers Compensation Tax (Insurance Premium Assessments), which supports workers' compensation programs. The total premium paid by employers continues to decline. Oregon has had eleven consecutive years of decline in the premiums paid by employers, equaling a 57.3% cut in these costs since 1990 and resulting in savings of $5.6 billion to Oregon employers. Due to this shrinking base, as well as the draw

down of the ending balance, the tax rate was increased from 4.5 to 7.3% in 1998, to cover actual costs of administering the program. This rate will remain in effect for calendar year 2001;

- Insurance Premium Assessments, which support Insurance Division programs;
- Business Licenses and Fees, which support regulatory programs such as Building Codes and the Insurance and Finance Division;
- Insurance Taxes that are transferred to the General Fund;
- Federal Funds, which are expended as Other Funds, that support Occupational Safety and Health programs and the Senior Health Insurance Benefits Assistance (SHIBA) program; and
- Interest earnings, fines, assessments and other revenues that support various Department programs and are transferred to other agencies, such as the Oregon State Police to support the State Fire Marshal.



Budget Environment and Performance Measures

Workload is driven by factors such as the demographic changes in Oregon's population, continued economic growth, changes in business practices including increased use of rapidly changing information technology, and health care needs and reform. This has also included, in recent years, absorbing administrative responsibility for a number of agencies, including Building Codes and the Office of Energy, until the Office was re-created as a separate agency by the 1999 Legislature.

The Department continues to develop performance measures, baseline data, and performance targets. Examples of performance measures being developed include:

- Timely closure of cases, including regulatory compliance cases.
- Timely completion of regulatory investigations and inspections.
- Number of Oregonians served by the Senior Health Insurance Benefits Assistance program.
- Number of employers and employees trained in workplace safety and health.
- Number of occupational injuries or illnesses per 100 workers per year.
- Timely scheduling of hearings.
- Number of injured workers returned to work in the Preferred Worker Program.

DCBS – Central Support

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	26,389,137	30,603,217	30,865,521	31,119,872
Nonlimited	853,174	1,550,000	1,550,000	1,550,000
Total	**27,242,311**	**32,153,217**	**32,415,521**	**32,669,872**
Positions (FTE)	196.65	186.54	186.88	188.88

Program Description

Central Support provides support services to the programs operated by the Department. Its sections include:

- The Director's Office is 6% of Division expenditures and provides leadership, policy direction, general supervision of all programs, and liaison with other levels of government and the general public.
- Information Management is 56% of Division expenditures and establishes DCBS information technology strategy and standards. The Division collects, stores, processes, analyzes, and reports agency information.
- Business Administration is 21% of Division expenditures. The unit provides centralized purchasing and accounting services, budgeting, collection services, payroll, and contract management services, and assists in the development and control of Division and program budgets.
- Communication Services is 6% of Division expenditures, and provides outreach and information on rules, policies and data, including interactive forms on the Internet, to the public and non-English speaking Oregonians.

- Personnel Services is 6% of Division expenditures, and provides human resources support to the agency.
- Activities in the two Ombudsman Programs are 5% of division expenditures. The Workers' Compensation Ombudsman receives, investigates, and resolves workers' compensation complaints. The Small Business Ombudsman assists small businesses in obtaining workers' compensation coverage, intervenes in premium determination problems, and provides educational programs to small businesses.

Revenue Sources and Relationships

The Division is primarily funded with $29.9 million in Other Funds from revenue transfers within the Department's dedicated funds. Federal Funds of $230,000 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. The Division also receives $1.6 million in other revenues from interest earnings. Ombudsman programs are funded with $1.7 million in Workers' Compensation Insurance Tax receipts. The Department expends Federal Funds as Other Funds.

Budget Environment and Performance Measures

Workload in the Division is driven, in part, by the workload factors affecting the Department as a whole, including demographic changes in Oregon's population, continued economic growth, changes in business practices, rapidly changing information technology, and health care needs and reform. This has also included, in recent years, absorbing administrative responsibility for a number of agencies, including Building Codes and the Office of Energy, until the Office was re-created as a separate agency by the 1999 Legislature.

The Division monitors agency workload and statistics, and is working on outcome-measurement reporting for the 2001 Legislature.

Governor's Budget

The Governor's budget is an increase of $516,655 (1.6%) above 1999-01 estimates. It is an increase of $254,351 (0.8%) above current service level estimates to support a policy option package with 2 FTE to provide multicultural outreach, health and risk management and human resource management services to the Department.

DCBS – Workers Compensation Board

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	14,546,323	16,041,469	16,232,590	16,232,590
Total	**14,546,323**	**16,041,469**	**16,232,590**	**16,232,590**
Positions (FTE)	104.50	97.50	97.50	97.50

Program Description

The Workers' Compensation Board is responsible for adjudicating contested Workers' Compensation cases and OR-OSHA citations, notices and orders, and for reviewing administrative orders on appeal. The Board consists of five permanent members. Offices are located in Portland, Salem, Eugene and Medford, and the Board conducts hearings in 12 other locations around the state.

Revenue Sources and Relationships

The primary revenue source for the Board is $18.8 million in Workers' Compensation Insurance Taxes. These taxes, assessed at 7.3% of earned premiums, are collected from SAIF, private, and self-insurers, to be used for Departmental expense, the Center for Occupational Disease Research, the Rehabilitation Reserve and the Non-Complying Employer Reserve. The Division also receives $20,000 in arbitration fees from insurers.

Budget Environment and Performance Measures

Workload continues to show a decline from prior biennia. In calendar year 1992, a total of 17,877 hearings and 2,230 Board Reviews were requested. By calendar year 1999, these requests were down to 11,828 hearings and 1,096 Board Reviews. However, these numbers do not tell the entire story, since the scope and complexity of the cases filed with the Board have increased as litigants request hearings on issues related to the requirements of legislatively adopted workers compensation reforms. The agency has responded to the reduced number of filings by reducing staffing by 16 FTE since 1995-97, with a corresponding reduction in the growth of program expenditures.

Workers' Compensation Board performance measures include the number of workers' compensation hearing requests. These requests have declined from a peak of 15,669 in 1994 to 10,187 per year in 1999. Another measure is the percentage of first hearings scheduled within ninety days of request. This percentage has increased from 61% for the month of July 1999 to 80.7% for the month of September 2000. The Division has not set targets for its measures, but continues to work on finalizing these standards.

Governor's Budget

The Governor funds the Workers Compensation Board at the current service level, which is an increase of $191,121 (1.2%) compared to 1999-01 estimated expenditures.

DCBS – Workers Compensation Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	28,400,727	30,070,154	30,623,639	30,905,243
Nonlimited	3,185,109	3,083,605	3,250,221	3,250,221
Total	**31,585,836**	**33,153,759**	**33,873,860**	**34,155,464**
Positions (FTE)	268.00	256.64	242.46	244.46

Program Description

The Workers' Compensation Division administers and enforces the provisions of the workers' compensation law and provides some education and consultative services. The Division has five program areas. The Division budget is operationally consolidated, but estimates that costs are distributed among the programs as follows: administration (5%), benefits and policy, dispute resolution (22%), compliance (26%), and operations (21%) of Division expenditures.

Revenue Sources and Relationships

The Division is primarily supported with $34.7 million in revenues from Workers' Compensation Insurance Taxes. The Division also receives $3.7 million in interest income, and $1.3 million in other revenue, that includes civil penalties on guaranty contracts.

Budget Environment and Performance Measures

The 1990 reforms to the Workers' Compensation system stabilized the workload of the Division during the 1991-93 and 1993-95 biennia. However, appellate court decisions affected case processing and workload, and these decisions also led to the 1995 Workers' Compensation Reforms. The Division's budget and position authority was increased to deal with requirements of reform. Workload has fluctuated in the current biennium, with increases in the number of employers and covered workers, but decreases in claims and the number of resolved disputes. An audit of the functions of the Division conducted in 1998 found that caseload and workload standards, and other performance standards, were appropriate, and that the program is dealing with its workload appropriately. The Division continues to pursue improvements in technology and work processes to deal with the workload. In 1999-01 the Evaluation Unit and the Claims Examiner Certification process were eliminated. Hearing officers were transferred to the jurisdiction of the Employment Department as part of legislation to establish a statewide hearings unit. The 1999 Legislature directed the agency to undertake a study of the impact of the major contributing cause and combined conditions on the workers compensation system.

The Division tracks a variety of performance measures, but has not yet established targets or benchmarks for these measures. Measures include the percentage of disputes that are resolved timely, which has decreased from 97% in 1994 to 88% in 1999, and the percentage of time loss payments made timely, which has decreased from 89% in 1993 to 87.2% in 1999. The Division has not explained the reasons for these changes. The Division continues to work on refining and explaining its measures.

Governor's Budget

The Governor's budget is an increase of $1 million above 1999-01 estimated expenditures (3%) primarily for standard salary and inflation adjustments. The budget is an increase of $281,604 to the current service level and funds an information technology policy package that includes 2 FTE. This package is designed to improve electronic access to information and services, including Electronic Data Interchange (EDI) with insurers and improved customer service and data availability through the Division web site.

DCBS – Oregon Occupational Health and Safety Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	32,181,181	36,748,002	39,390,321	39,568,420
Total	**32,181,181**	**36,748,002**	**39,390,321**	**39,568,420**
Positions (FTE)	252.18	254.57	252.08	254.08

Program Description

Oregon Occupational Safety and Health Administration (OR-OSHA) protects worker health and safety by administering the Oregon Occupational Safe Employment Act and enforcing the Federal Occupational Safety and Health Rules, under an agreement with Federal OSHA.

The Division has four program areas: Consultative Services and Education; Enforcement; Program Support; and Administrative Services. Consultative Services is 36% of Division expenses and provides employers with information on OR-OSHA requirements and conducts site visits to assist employers to identify and correct possible violations. Enforcement is 44% of Division expenses, and is responsible for inspecting businesses and identifying violations, and imposing fines and other penalties for violations. Administration and Support Services is 20% of Division expenses and provides services and support to operations.

Revenue Sources and Relationships

Projected 2001-03 revenue for the Division includes $31.5 million in Workers' Compensation Insurance Taxes, $10.9 million in Federal Funds (expended as Other Funds), and $2.8 million in OR-OSHA fines and forfeitures, most of which are transferred to the DCBS Fund to use for Department-wide workers compensation-related costs. Funds are also transferred to the Bureau of Labor and Industries to support workers' compensation-related investigations in that agency.

Budget Environment and Performance Measures

The Division focuses on education, and consultative and prevention services, and on worksite inspections. As a result of these activities, Oregon continues to experience a decrease in occupational illness and injury. The Division will maintain its consultative and loss prevention services at approximately 2,095 per year, including worker training. The 1999 Legislature approved an increase of 4 FTE to improve field service capacity, including support for the field health program, supervision for field staff, and clerical support. Budget notes direct OR-OSHA to report to the Emergency Board on farm labor camp inspections, and to work with legislators to develop an apprenticeship program for under-served communities. The Division reported on these issues at the November 2000 meeting of the Emergency Board.

The Division maintains a variety of outcome and output measures, but has not yet established targets or benchmarks for these measures. Measures include the number of employers and employees trained in workplace safety and health, which fluctuated from a low of 2,802 in October 1998 to a high of 4,463 in January 2000. Another measure is the number of OR-OSHA inspections conducted by the agency, which increased from 5,545 in 1993 to 5,734 in 1999. These are measures of agency workload and customer service. An outcome measure is the number of illnesses or injuries per 100 full time workers, which decreased from 8.7% in 1994 to 6.8% in 1998, which is the last year for which data was available. This reduction is a goal of the expanded activities by the Division to provide safety and health training and workplace inspections.

Governor's Budget

The Governor's budget is an increase of $2.8 million above 1999-01 estimated expenditures (7.7%) and includes roll-up costs for the expanded field service capacity approved by the 1999 Legislature. The budget is an increase of $178,099 to the current service level and funds an OR-OSHA apprenticeship program with 2 FTE. This package results from legislative direction in the 1999-01 budget report that directed the Division to evaluate an apprenticeship program to provide outreach to communities in need of targeted information on occupational safety and health.

DCBS – Nonlimited Programs

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	243,560,295	267,958,967	304,378,866	304,738,266
Total	**243,560,295**	**267,958,967**	**304,378,866**	**304,738,266**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This program area reports nonlimited expenditures out of the Workers' Benefit Fund, the Oregon Medical Insurance Pool and two reserves maintained by the Department. Account expenditures include:

- $215,142,557 from the Workers' Benefit Fund for claims costs, workers' compensation premium subsidies, and other costs;
- $88,843,709 for third-party administrator payments and claim payments for high-risk insureds from the Oregon Medical Insurance Pool; and
- $752,000 from the Self-Insured Employer Adjustment Reserve and the Self-Insured Employer Group Adjustment Reserve.

Revenue Sources and Relationships

Nonlimited Workers Compensation revenues include:

- Workers' Compensation Insurance Taxes that are assessed on employers and collected by SAIF and other private insurers and self-insurers. The current rate is 7.3% of earned premiums for insurers and 7.5% from self-insured employer groups. The revenues are used for rehabilitation and noncomplying employer payments.
- Workers' Compensation Assessments & Contributions (cents-per-hour): the current rate is 3.6 cents per hour, reduced from 4 cents per hour in 2000, with a 1.8 cent deduction from employee wages and an equal deduction from the employer, that is dedicated to reserves in the Workers' Benefit Fund. One-sixteenth (1/16) of one cent is dedicated to the Center for Occupational Disease Research at Oregon Health Sciences University. The remainder is used for workers' compensation benefits.
- Recovered claims costs from noncomplying employers, fines, interest income, and other revenues.

Oregon Medical Insurance Board assessments collected from health insurers (generally twice a year, on an as-needed basis depending on expenditure estimates) and individual insurance premiums collected from insured parties. The funds are used for the payment of claims for parties covered under the subject insurance plans.

Budget Environment and Performance Measures

The 1995 Legislature directed the Department to reduce the balance of reserve funds to no more than six months of expenses and transfers. This reduction was to occur gradually over a period of years, protecting against wide fluctuations in the assessments to employers, insurance companies and workers. The Legislature subsequently directed the Department to maintain a Workers' Benefit Fund reserve balance of twelve months.

The budget assumes OMIP's insurance pool loss ratio will be approximately 192.5 percent. This is a change to previously lower loss ratios, and more closely reflects the current national experience of 200 percent. The budget also contains a prudent reserve for extraordinary costs, such as multiple organ transplants, which could affect total expenditures.

Governor's Budget

The Governor's budget includes a policy package to shift agent referral fees from the Oregon Medical Insurance Pool limited operating account to the nonlimited OMIP fund. The increase to nonlimited expenditures is $359,400 and the reduction to the operating account is $95,940. The increase in nonlimited expenditures is a result of the increase in referral fees, going from $25 to $75, that the Board approved in 1998. Average monthly referral payments have increased from $1,445 per month to $14,975 per month.

DCBS – Insurance Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	11,541,399	14,142,769	14,784,010	15,152,157
Total	**11,541,399**	**14,142,769**	**14,784,010**	**15,152,157**
Positions (FTE)	94.46	93.21	93.21	95.96

Program Description

The Insurance Division protects the insurance-buying public by evaluating the financial soundness of insurance companies, the availability and cost of insurance, and the equitable treatment of insureds and claimants. The Division's four sections provide independent customer advocacy and education, assist consumers in resolving complaints against agents and companies, enforce the Insurance Code, and collect and audit taxes of insurance companies. The Company Regulation section monitors the financial solvency of Oregon insurers. Consumer Protection enforces the Insurance Code and resolves approximately 5,000 consumer complaints per year. The Rates and Forms section reviews insurance policy forms and premium rates for compliance with Oregon law. The Administrative Services and Operations section manages insurance agent licensing and also provides Division-wide support.

Revenue Sources and Relationships

Division revenue sources include Workers' Compensation Insurance Taxes, business license fees, insurance premium assessments, interest earnings, and investment returns. Revenue estimates for 2001-03 assume the continuation of fees increased in 1999-01. The Division receives a federal grant in the amount of $530,000 from the Health Care Financing Administration, which funds a portion of the Oregon Senior Health Insurance Benefits Assistance Program (SHIBA). In 1999-01, after paying operating expenses, $101.3 million in insurance premium taxes, fines and interest earnings will be transferred to the General Fund for general governmental purposes. In addition, $9.9 million from assessments on fire insurance premiums will be transferred to the Oregon State Police Fire Marshal program.

Budget Environment and Performance Measures

Increases in the complexity of insurance regulations, the demand for disaster insurance, and an aging Oregon population are significant workload factors for the Insurance Division. The Division is committed to using information technology to help manage this dynamic workload. As an example of this commitment, in 2001-03 the Division will streamline the form approval process through the use of Internet notification.

The Insurance Division assesses performance via several workload measurements. Specific performance targets are undefined; however, most of these measures show improvement over time. One measure, the average number of days to approve forms, shows almost a 75% decrease in approval time from 1994 to the present. The Division's success in informing the public about the Senior Health Insurance Benefits Assistance Program is illustrated by the number of people reached by SHIBA presentations. The average number of people attending presentations per month in 2000 has increased 54% over the 1999 average, from 2,511 to 3,872.

Governor's Budget

The recommended budget of $15.15 million Other Funds is an increase of 7% over the 1999-01 estimated expenditure level and is 2.5% higher than the 2001-03 current service level. Two policy packages are included in the budget, and are partially supported by continuation of several fees implemented during the 1999-01 biennium:

- Package 141 adds 2 positions at a cost of $249,266 for education and compliance services in the health and life insurance program areas. One position would be funded with federal grant money; the other position would be funded with insurance premium assessments.
- Package 142 adds one Tax Auditor 1 position (.75 FTE) at a cost of $118,881 to consolidate the administration of insurance company taxation. Under proposed and required legislation DCBS assumes responsibility, from the Department of Revenue, for corporate excise taxation of insurance companies. Insurance premium assessment revenues fund this position. Division revenues assume the continuation of several fees implemented during the 1999-01 biennium.

DCBS – Finance and Corporate Securities

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	6,885,682	8,354,950	9,367,174	9,795,855
Total	**6,885,682**	**8,354,950**	**9,367,174**	**9,795,855**
Positions (FTE)	56.72	60.51	60.75	63.75

Program Description

The Division of Finance and Corporate Securities (DFCS) enforces laws and regulations related to the sale of corporate securities. DFCS also ensures the safety of financial transactions for individuals, businesses, and governments. The Division is organized into two sections. The Financial Institutions Section is 64% of the budget and regulates state-chartered banks, credit unions, savings and loan associations and related businesses. Corporate Securities is 36% of Division expenditures and registers security offerings, licenses businesses and individuals who sell securities, and investigates and enforces securities and commodities laws. Pending the outcome of 2001-03 legislation, the Division is also temporarily administering the Appraiser Certification and Licensure Board (ACLB).

Revenue Sources and Relationships

The Division receives $11.1 million in revenue from annual assessments on financial institution assets and from securities licensing, registration and examination fees. The Division receives $608,928 from interest earnings. Approximately $5.3 million in revenue from fines and surplus securities licensing and examination is transferred biennially to the state General Fund.

Budget Environment and Performance Measures

A number of factors influence the workload and performance of DFCS. Federal law changes, specifically the passage of the 1999 Gramm-Leach-Bliley Financial Modernization Act, remove barriers to merging financial service providers. Continued expansion of consumer finance businesses (such as payday loans and title loans) creates a greater demand for oversight. Licensed securities broker-dealers are growing in number, the finance and securities field is becoming more globalized, and the use of the Internet for transactions is increasing. All of these changes force the Division to continually review program policy and increase the difficulty of oversight functions. DFCS is addressing these issues through an increase in education and cross training, enhancements in technology, and implementation of state and local partnerships. The 1999 Legislature approved 4.42 FTE to address this increasing workload. The Legislature also requested that the Division investigate the potential risk to Oregonians from the increased use of the Internet for securities trading and investing, and to report its findings to the 71st Legislative Assembly.

The Division has two performance measures. The first measure tracks the number of securities investigations closed or reclosed in a given quarter. The number of cases has remained stable for the last three calendar years, averaging 16 cases per quarter. The second measure monitors the number of days elapsed from opening to close of securities examinations. The number has decreased from 477 in July 1999 to 128 in July 2000.

Governor's Budget

The recommended budget of $9.8 million Other Funds is an increase of 4.6% over the 1999-01 estimated expenditure level and is 17% higher than the 2001-03 current service level. The budget includes two policy packages that are funded with Other Funds fees and revenues:

- Package 161 adds 1 FTE at a cost of $161,632 for permanent funding of a Senior Policy Analyst position. Currently filled as limited-duration, this position would evaluate legislation, promulgate administrative rules, and set policies for banking, finance, and securities activities.
- Package 162 adds 2 FTE at a cost of $267,049 to increase oversight and provide consumer protection in the Mortgage Lender Program.

DCBS – Oregon Medical Insurance Pool Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	586,038	1,056,493	947,029	1,085,804
Total	**586,038**	**1,056,493**	**947,029**	**1,085,804**
Positions (FTE)	5.00	5.00	5.00	7.00

Program Description

The Oregon Medical Insurance Pool (OMIP) ensures access to major medical insurance coverage for Oregon residents who are unable to obtain medical insurance for health reasons. Portability coverage is also available for eligible individuals. OMIP promotes access to health coverage and administers a third-party administrator contract. A board of directors, consisting of seven citizen members, guides pool policy. The Oregon Medical Insurance Pool shares its administrator and some staff, through an intergovernmental agreement, with the Insurance Pool Governing Board.

Revenue Sources and Relationships

The Board collects assessments from health insurers (generally twice a year, on an as-needed basis depending on expenditure estimates) and collects individual insurance premiums from insured parties. Other Funds revenues include interest earnings. Nonlimited revenues of approximately $41 million are reported in the Nonlimited Programs section. This includes assessments collected from health insurers (generally twice a year, on an as-needed basis depending on expenditure estimates) and individual insurance premiums collected from insured parties. The funds are used for the payment of claims for parties covered under the subject insurance plans, third party administrator payments and claim payments for high-risk insureds within Oregon through the Oregon Medical Insurance Pool Board.

Budget Environment and Performance Measures

Rising health care costs and underwriting practices could affect the number of Oregonians in the high-risk medical pool, which OMIP estimates currently to be between 10,000 and 15,000. Other factors that affect workload include the cost of the coverage, which is set at 125% of the premium set by the largest insurers. The Division continues to monitor the insurance offered for cost and coverage.

The Oregon Medial Insurance Pool’s performance focus is on customer service functions performed by the third party administrator (TPA). The Pool sets and monitors workload measures for the TPA, striving to ensure the TPA is adequately administering the OMIP program as required by the contract. OMIP also monitors the change in enrollment, for the period from June 1999 to November 2000 enrollment increased by 8.6 percent. Due to a lack of relevant historical data, no gauge of success is available for this performance measure. OMIP is working to improve the gathering, analysis, and reporting of program statistics and information.

Governor’s Budget

The recommended budget of $1.1 million Other Funds is an increase of 3% over the 1999-01 estimated expenditure level and is 14.7% higher than the 2001-03 current service level. The budget includes 3 policy packages:

- Package 211 adds 1 FTE Research Analyst 3 position at a cost of $110,393 to provide data analysis, warehouse, reporting, and access support.
- Package 212 adds 1 FTE at a cost of $124,322 to monitor and review contract compliance by the third party administrator.
- Package 213 shifts the expenditure for agent referral fees from OMIP administration to the OMIP nonlimited fund. This shift decreases OMIP administration’s Other Funds limitation by $95,940 and increases the nonlimited estimate by $359,400.

DCBS – Building Codes

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor’s Recommended
Other Funds	22,158,783	23,986,970	24,963,138	27,032,221
Nonlimited	235,403	179,076	200,000	200,000
Total	**22,394,186**	**24,166,046**	**25,163,138**	**27,232,221**
Positions (FTE)	171.13	159.78	158.38	176.88

Program Description

The Building Codes Agency was made part of DCBS by the 1993 Legislative Assembly. The Division has statutory authority for the enforcement of laws and codes related to structures and dwellings; manufactured structures, RV parks and tourist facilities; plumbing; elevators; amusement rides; electrical safety; and boilers and pressure vessels. The Division issues licenses and permits and conducts inspections. In 1999 the Legislature established a tri-county Building Industry Service Board (Washington, Clackamas and Multnomah Counties) and provided the Division with 3.5 FTE to administer this Board.

Revenue Sources and Relationships

The Division's revenues include:

- $28 million from fees for licenses, inspections, and permits, and surcharges on fees levied by state and local jurisdictions;
- $350,000 in Federal Funds (expended as Other Funds) to provide consumer assistance to individuals with complaints about manufactured homes, and EPA funds for energy efficient manufactured homes certification;
- $201,000 from fines; and
- $1.1 million in other revenue, including interest earnings.

The fees charged by Building Codes were established in the 1979 edition of the Uniform Building Code. These structural fees were increased by the 1999 Legislature, at the request of the building industry, to support ongoing program costs. The Division will be seeking legislative confirmation for fee increases for a variety of its other programs in 2001. These fee increases also have industry support.

Budget Environment and Performance Measures

The economic climate and in-migration of population to Oregon continue to result in increased permits for construction and manufactured dwellings. The Division has primary responsibility for code administration in much of the Coast and in Eastern Oregon. The Division conducts inspections of manufactured homes, and the state's production of manufactured homes continues to increase. Over 12,500 homes are produced per year.

The Building Codes Division has grown in response to the ongoing increase in workload. The 1995 Legislature approved additional positions, at the request of the affected industries whose funds support the inspection programs. The 1997 Legislature approved 19.36 additional FTE to address workload growth. However, staffing increases have not kept pace with workload. Elevator inspection services have increased by 7% a year; legislative directions have increased the responsibility for building code issues, including jurisdictional reviews and complaint resolution; and overdue boiler inspections have averaged 2,500 a month for the last five months. The Division continues to improve efficiency through the use of a temporary employee pool, improvements in technology, and partnerships with other agencies and jurisdictions. However, due to continuing workload growth, the Division requires additional staff.

Because of ongoing issues related to statewide and local building codes issues, the Department established an Interim Steering Committee to review all of the related agency programs and activities. The Steering Committee will make recommendations to the 71st Legislative Assembly, including legislative proposals, to deal with issues raised during the review. In addition, the Division has implemented SB 512 which established a Tri-County Industry Service Center to provide consistency in building codes service across 27 jurisdictions in the Portland Metropolitan area, and implemented other changes in building codes programs adopted by the Legislature.

The Division maintains a variety of performance measures, including time from receipt to closure of for regulatory service compliance cases. In July 1999, that time was 230.4 days. That had been reduced to 88.6 days by September 2000. There is no target for this measure. A workload measure is the number of plan reviews received by the field operations section, which had increased from 123 in July 1999 to 133 in September 2000. There is no target set for this measure. The Division is working to improve the gathering, analysis, and reporting of program statistics and information.

Governor's Budget

The Governor's budget is an increase of $3.1 million (12.7%) above 1999-01 estimated expenditures, including standard salary and inflation adjustments and the roll-up of programs funded by the 1999 Legislature.

The budget is an increase of $2.1 million (8.2%) and 18.5 FTE above current service level estimates and includes two policy packages to address Building Codes Division workload issues and new requirements:

- Package 191 adds 15 positions at a cost of $1.6 million for workload issues in the elevator, boiler, field operations, fiscal services and licensing and certification programs. Most of these positions were created as limited-duration by previous legislatures and are responsible for ongoing, permanent work of the Division. Portions of this package will require approval of fee increases.
- Package 192 adds 4 positions at a cost of $499,616 for inspections of light rail projects and prison construction.   Chapter 275 Oregon Laws 1997 requires DCBS for electrical permits and inspections related to light rail projects. Building Codes is also required to provide an expanded role in the prison construction,

including plan review, consultation and inspections. The Emergency Board approved these positions as limited-duration and directed the Division to seek permanent positions from the 2001 Legislature.

DCBS – Office of Minority, Women and Emerging Small Business

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	507,989	667,738	638,389	638,689
Total	**507,989**	**667,738**	**638,389**	**638,689**
Positions (FTE)	5.00	5.00	5.00	5.00

Program Description

The Office of Minority, Women, and Emerging Small Business (OMWESB) certifies small businesses for targeted economic opportunity programs. The Disadvantaged Business Enterprise (DBE) program is for firms seeking to contract with recipients of federal transportation funds. A business participating in the Minority Business Enterprise (MBE) and / or Women Business Enterprise (WBE) programs is certified to contract with state, county, city, and local jurisdictions. The race and gender-neutral Emerging Small Business (ESB) program certifies small businesses for work on specially designated ESB projects. OMWESB maintains an on-line directory of firms certified in these programs. The Office also provides public education on the certification programs and serves as a referral point for information on small businesses.

Revenue Sources and Relationships

The Office is funded by Other Funds revenue received from the Department of Transportation (ODOT) for business certification for federally funded projects and from the Department of Administrative Services (DAS) from assessments to state agencies for certification and outreach services. In 2001-03 OMWESB expects to receive $858,176 from ODOT, which is 68% of the Office's funding. The remaining 32%, or $403, 847, will come from the DAS assessments.

Budget Environment and Performance Measures

OMWESB continues to concentrate its efforts on the certification and re-certification process. Effective December 1, 2000, certifications will be valid for three years, instead of one. Easing the paperwork burden on certified agencies and will allow the Office more time to focus on education, directory maintenance, and referral services. Effective March 4, 1999, a new federal regulation for the Disadvantaged Business Enterprise program began requiring DBE applicants to submit a personal net worth statement. This change resulted in a 30% decrease in the number of new and recertification applications in 1998-99.

The Office of Minority, Women, and Emerging Small Business strives to process certifications within 90 days of receiving a complete application. The Office is successfully maintaining this performance goal in the 1999-2001 biennium.

Governor's Budget

The recommended budget of $638,689 Other Funds maintains the program's current service level and represents a 4% decrease from 1999-01 estimated expenditures.

DCBS – Appraiser Certification and Licensure Board

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	642,815	740,093	832,301	832,301
Nonlimited	79,282	63,513	77,855	77,855
Total	**722,097**	**803,606**	**910,156**	**910,156**
Positions (FTE)	5.00	5.00	5.00	5.00

Program Description

The Board licenses, certifies, supervises, and disciplines appraisers in Oregon, and establishes education and experience standards. The Board ensures that regulatory functions are kept separate from the influence of industries and organizations that have a financial interest in the Board's actions. The Board conducts audits and investigations, takes disciplinary action, and conducts contested case hearings.

Revenue Sources and Relationships

The Board is funded through licensing, certification and registration fees, and interest and other earnings. The Board also collects annual federal registry fees and remits them to the federal government. In 2001-03 a planned fee increase will bring Board revenues up to $1,072,381 Other Funds.

Budget Environment and Performance Measures

The increase in Oregon's population has resulted in an increased demand for real-estate appraisals. The Board has dealt with the workload by instituting strategies to improve workflow and process, and reduce staff workload. This includes changing to a two-year license renewal cycle, entering into reciprocal agreements with other states to reduce the number of licenses issued, and the use of automated testing. The Board has placed its licensing database on the Department's web site, making this data available to financial institutions electronically, which has reduced the number of telephone inquiries.

The Board gauges performance by monitoring the number of complaints filed with ACLB each month. This number has risen slightly the last two calendar years; the increase is likely due to improved consumer awareness of appraisal regulations.

The Board has undertaken a study of the impact of semi-privatization. If the Board decides to proceed, the 2001 Legislature will be asked to approve the statutory changes necessary for this action.

Governor's Budget

The recommended budget of $910,156 million Other Funds is an increase of 13% over the 1999-01 estimated expenditure level and is equal to the 2001-03 current service level. The increase includes adjustments for salaries, inflation, and an increase in federal registry fee. The Board's fees are increased by approximately 50 percent.

Health Licensing Office – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	3,093,797	3,359,240	3,620,904	4,364,500
Positions (FTE)	23.38	27.25	25.91	27.29

Program Description

The 1999 Legislative Assembly created the Health Licensing Office as a state agency separate from the Department of Human Services, Health Division to coordinate administrative functions of certain health practitioner licensing boards. The nine boards, councils and programs that comprise the Health Licensing Office are as follows:

- Board of Athletic Trainers
- Board of Cosmetology
- Board of Denture Technology
- Board of Direct Entry Midwifery
- Respiratory Therapist Licensing Board
- Sanitarians Registration Board
- Advisory Council for Electrologists, Permanent Color Technicians and Tattoo Artists
- Advisory Council on Hearing Aids
- Body Piercing Licensing Programs

The mission of the Agency is to serve the citizens of Oregon by providing a uniform structure and accountability for the boards, councils and programs under its administration with specific responsibility for outreach and training, fiscal services, licensing, enforcement and complaint resolution.

Revenue Sources and Relationships

The Health Licensing Office is supported by Other Funds revenue generated from issuance of certificates, processing of license and examination fees, civil penalty collections and transfers of payments from the Department of Education for inspecting schools. Total revenues are estimated at $3.5 million for 1999-01 and $4.2 million for 2001-03, including proposed fee increases for some of the boards and programs within the Agency. Proposed changes in fees, including establishment of new fees, are as follows:

AGENCY AND FEE NAME	CURRENT FEE	PROPOSED FEE
Board of Athletic Trainers		
Temporary License	New	$150
Board of Cosmetology		
Original Practitioner Certificate	$ 35	$ 50
Practitioner Certificate Renewal	$ 35	$ 50
Facility License Renewal	$ 35	$ 50
Original Independent Contractor Registration	$ 35	$ 50
Independent Contractor Registration Renewal	$ 35	$ 50
Facility Application Fee	New	$ 15
Facility License - Temporary	New	$ 50
Demonstration Permit	New	$ 35
Board of Denture Technology		
Restoration Fee	New	$150
Advisory Council for Electrologists, Permanent Color Technicians and Tattoo Artists		
Exam Retake / Oral	New	$100
Facility Application Fee	New	$100
Advisory Council on Hearing Aids		
Original Written Exam	$120	$150
Original Practical Exam	$100	$150
Original License Fee	$125	$200
Renewal License Fee	$125	$200
Temporary License	$ 50	$100

AGENCY AND FEE NAME	CURRENT FEE	PROPOSED FEE
Advisory Council on Hearing Aids (cont.)		
Delinquent Renewal Fee	$ 10	$ 25
Duplicate License	$ 10	$ 50
Sanitarians Registration Board		
Written Exam Fee	$144	$175
Late Fee	New	$ 5

The ending balance for 2001-03 is projected at $301,196 or 1.65 months operating funds.

Budget Environment and Performance Measures

The Agency is made up of nine Boards; collectively there are 50 board members including 7 physicians, 8 public members and 35 licensed professionals. Combined there are 45 standing committees. The Agency holds an average of 24 board meetings and 18 standing committee meetings annually. There are 24 different types of professional licenses issued for 19 various regulated fields of practice. Other activities include over 50,000 licensing records maintained, over 15,000 inspections completed and 6,000 disciplinary actions taken. It is projected that these activities will increase an average of 4% during the 2001-03 biennium.

The Health Licensing Office has identified secondary links to 5 Oregon Benchmarks. While the Agency has established stated goals and objectives, no specific, quantifiable outcome or output measures have been developed.

Governor's Budget

The recommended budget is $4.4 million—29.9% higher than 1999-01 estimated expenditures and 20.5% above current service level, which included a reduction of $200,000 to phase-out several one-time technology projects. The budget would reclassify nine positions and change a limited duration Investigator position to permanent ($187,133), implement the Agency's information system technology plan ($393,600), fund outreach programs and research involving public protection and safety issues ($20,000), fund a rent increase outside the approved inflation factor ($45,186), and pay for the cost of a new interagency service agreement with the Department of Administrative Services' General Government Data Center for information systems support ($27,600). The budget would also continue operations of the Board of Direct Entry Midwifery, which is currently scheduled to sunset on December 31, 2001.

Health Related Licensing Boards

The Health Related Licensing Boards are responsible for establishing, maintaining and regulating professional practice standards. Board members are health professionals and public members appointed by the Governor. Professionals are charged fees for examinations, issuance of licenses, renewals and other activities.

Revenue Sources and Relationships

All of the Boards are supported by Other Funds from fee revenue. Fees are set at a level that allows for the operation of the individual Boards with an adequate cash reserve for operating expenses. Fee increases are being requested by five of the Boards including the Board of Chiropractic Examiners, the Board of Licensed Professional Counselors and Therapists, the Board of Examiners of Nursing Home Administrators, the Board of Pharmacy, and the Board of Psychologist Examiners.

Budget Environment and Performance Measures

Most of the Boards have been experiencing growth in the number of licensees for the past few years. Along with this growth has come increased workload related to issuing licenses, providing information to applicants and the public, investigating complaints and monitoring continuing education requirements.

Oregon statutes contain guidelines and timeframes in which the Boards are to process complaints. The statute requires all Boards to investigate and present each case for action within 120 days of the complaint's receipt. In addition, the Boards may not disclose any pertinent information about the case to the general public. The Attorney General's office determined that both the complainant and the respondent are considered to be members of the general public. As a result, the Boards may not disclose information to another state agency, even if there are violations or criminal aspects to the case that are under the other agency's authority. A statute also requires that all complaints be investigated, whether or not the allegations are relevant to the Boards' authority. This determination makes case investigation very difficult and time consuming. Many of the Boards have hired or contracted with compliance investigators due to the number of complaints, time constraints and complexity of investigations.

Most of the Boards have identified links to benchmarks. Some Boards have developed additional performance measures specific to their agency and with quantifiable outcomes and targets, while others are still in the development stages.

Because each of these Boards is a state agency in and of itself, no summary figures are provided. What follows is a description and the Governor's recommended budget for each Board.

Board of Clinical Social Workers – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	335,182	428,597	436,121	488,171
Positions (FTE)	2.00	2.54	2.54	2.54

Program Description

The Board of Clinical Social Workers regulates clinical social workers and social work associates. The Board is charged with developing and enforcing ethical standards for licensed individuals; investigating complaints; and disciplining licensed individuals who violate ethical standards, Board rules, or state licensing laws. There are seven board members: four licensed clinical social workers and three public citizens.

Revenue Sources and Relationships

Other Funds revenues from fees for professional licenses, examinations, and disciplinary actions support the budget for this Board. Fees were temporarily decreased in 1999-01 to address previous high ending cash balances. The Board estimates 1999-01 revenues at $305,730; expenses will exceed revenues by $122,867 and bring the Board's ending cash balance to $201,836. This cash balance is equivalent to an 11-month operating reserve, down from a 24-month reserve at the end of 1997-99.

Budget Environment and Performance Measures

The number of applicants and licensees has steadily increased since the Board's inception in 1989. Currently there are 2,593 licensees. With an increasing Oregon population, the number of clinical social workers continues to grow. Although total licensees are increasing, rural Oregon has an ongoing shortage of licensed clinical social workers. The few licensees located in these outlying areas face limited access to continuing education offerings, making it difficult to complete licensing requirements. The Board is making improvements through home study, video, audio, and Internet resources.

There has been no dramatic change in the number of complaints received by the Board this biennium. The board received 36 complaints in 1999 and 25 in 2000 (through October). The Board uses a part-time investigator to assist in evaluating complaints. Four contested case hearings were held in 2000, under the jurisdiction of the centralized Hearing Officer Panel. Sending cases to the panel has increased the Board's costs for attorney general, court reporter, and hearing administration. In order to cover these costs in 1999-01, the Board plans to ask for additional expenditure limitation at the January 2001 Emergency Board.

The Board's performance focus is on customer service, striving toward quickly and efficiently meeting the needs of consumers and licensees. Enhanced web site content, improved renewal turnaround time, and simplified continuing education reporting are examples of Board achievements in this area. The Board has not yet established any formal performance measures.

Governor's Budget

The recommended budget of $488,171 is a 13.9% increase over the Board's 1999-01 estimated expenditures. Aside from meeting current service levels, the budget adds funding for statewide meetings, office equipment, and hearing officer costs. Board administrative support will shift from the Health Division to the Department of Administrative Services, contingent upon passage of legislation establishing the Board as an independent agency. The Board's cost of receiving support from the Health Division has been eliminated from the Board's budget within the current service level. The budget restores fees back to the 1997-99 levels and projects 2001-03 revenues of $435,500. It anticipates the Board having a 7-month operating reserve at the end of the biennium.

Board of Licensed Professional Counselors and Therapists – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	268,879	317,735	256,350	377,798
Positions (FTE)	2.00	2.00	1.50	2.00

Program Description

The Board of Licensed Professional Counselors and Therapists oversees a voluntary licensing program for professional counselors and marriage and family therapists. The law provides a licensing process for professionals who want to use the title of "licensed professional counselor" or "licensed marriage and family therapist". In 1998, the Board began registering interns. The internship program permits counselors and therapists to register with the board while they are completing the work experience requirements for licensure. There are seven board members: three licensed professional counselors, two licensed marriage and family therapists, one faculty from a related training program, and one public member.

Revenue Sources and Relationships

The Board receives Other Funds revenues from fees charged to licensees for professional examinations, licenses, and disciplinary actions. In 1999-01, the Board began charging a $50 late fee for those licenses renewed within 30 days after the annual April 1 deadline. Revenues for 1999-01 are estimated at $243,452; expenses will exceed revenues by $74,283 and will leave the Board an ending cash balance of $71,954. This ending cash balance is equivalent to a 5.5-month operating reserve.

Budget Environment and Performance Measures

The Board expects to renew 2,527 licenses in 1999-01 and initially license another 63 applicants. License volume has not fluctuated significantly for the last three biennia. In 2001-03, with the proposed fee increase, the Board anticipates the number of renewals and new licenses decreasing by an average of 3.9 percent. Participation in the intern registration program should continue to grow, from 56 interns in 1999-01 to 100 in 2001-03.

The proposed fee increase requires a change in statute, since the desired fees are above the maximum limit. The Board has a legislative concept to eliminate the statutory limitation altogether, allowing the agency to impose fees by rule, as needed. As part of the same concept, the Board is also requesting to become an independent agency, separate from the Health Division. Geographical separation, inefficiency, and lack of nexus are among several concerns the Board has with being part of the Division.

A 1999-01 budget note directed the Board to look into the feasibility of biennial, rather than annual, license renewal. The Board has prepared a report for the appropriate substantive committee and the 2001-03 Legislative Assembly. The Board concluded biennial renewal has several advantages but that making this change, when coupled with the need to increase fees in 2001-03, would be prohibitive for licensees in the upcoming biennium.

The Board receives approximately 28 complaints per year, some of which result in disciplinary actions. In the current biennium the Board is attempting to negotiate settlement agreements rather than go to hearing. This is due to the cost of contracting hearings with the centralized Hearing Officer Panel, a requirement since January 1999.

The Board monitors and evaluates performance through three measures:

- Length of time from receipt of application to exam or license authorization. Since 1997-99 the time lapse has decreased from 233 to 70 days in 1999-01. The estimate for 2001-03 is 80 days.
- Length of time from complaint to resolution. Since 1997-99 the number of days has decreased from 123 to 80 days. It is expected to remain at 80 days in 2001-03.
- Customer satisfaction survey. In 1993-95 the Board received a score of 94% on the survey and scored 95% in 1997-99. The next survey is planned for 2001-03.

Governor's Budget

The recommended budget is an 18.9% increase over the 1999-01 estimated expenditure level. This budget first funds an adjusted current service level, which includes revenue and FTE reductions. These reductions are due to a spent down cash balance, which, when combined with 2001-03 projected revenues, is unable to support a realistic current service level. Contingent upon passage of fee-related legislation and implementation of a 76% fee increase, the budget then restores these program reductions and increases expenditure limitations in several areas. Limitation is added for office expenses, conference travel, training, web site improvements, hearings, and Attorney General costs. The budget provides funding for the Board to purchase payroll and budgeting services from the Department of Administrative Services, rather than the Health Division. This purchasing arrangement is dependent on passage of legislation establishing the Board as an independent agency. The Board's cost of receiving these services from the Health Division has been eliminated from the Board's budget within the current service level.

Board of Dentistry – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	1,059,666	1,427,755	1,565,431	1,670,324
Positions (FTE)	6.33	7.00	7.00	7.00

Program Description

The Board of Dentistry licenses general dentists, dental specialists and dental hygienists, regulates the use of anesthesia in dentistry and certifies dental assistants and expanded function dental assistants. The Board consists of nine members (six dentists, two dental hygienists and one public member) appointed by the Governor and confirmed by the Senate for four-year terms.

Revenue Sources and Relationships

The budget for the Board is supported by initial license application, renewal, examination and permit fees plus revenues generated from fines imposed for late renewals, civil penalties assessed, and miscellaneous receipts from the sale of mailing lists and copies of public records. Fees are established so that revenues collected will not exceed the cost of administering the Board's programs. A fee increase was included as part of the 1999-01 Legislatively Adopted Budget. The new fee structure was adopted by the Board through Administrative Rule and became effective on July 1, 1999 and must be ratified by the 2001 Legislative Assembly. If the fees are not ratified, they expire on July 1, 2001 and significant revenue shortfalls would follow.

Revenue was estimated at $1.5 million for 1999-01 and $1.6 million for 2001-03 (with fee increases). The ending cash balance is projected to be $415,682 at the end of the 2001-03 biennium. This represents a 6-month operating reserve.

Budget Environment and Performance Measures

Currently, the Board licenses approximately 3,500 dentists and 3,100 dental hygienists and certifies 1,800 dental assistants biennially. The number of licensees is increasing as the population grows and as more people have access to dental care. Overall, complaints have risen 43% over the past ten years. During the 1999-01 biennium, the Board estimated it would open about 542 new investigations. This is an 11% increase over the previous biennium. The Board is continuing to take steps to improve and expedite the process.

The performance measures identified by the Board include:

- Average amount of time a complaint is opened. This measures the number of months from the time a complaint is received at the Board office until it is resolved and closed. The target is 6 months, and the actual for FY 1999 was 6.7 months.
- Number of days from receipt of license application and fee to issuance. This measures the average number of days to process the issuance of a license renewal. The target is 14 days, and the actual for FY 1999 was 12 days.

Governor's Budget

The Governor's recommended budget of almost $1.7 million is an increase of 17% over 1999-01 estimated expenditures and 6.7% above current service level. The Governor's recommended budget includes increasing the Board Member per diem from $30 per day to "up to $150" per day, increasing the composition of the Board by 2 members (one dental hygienist and one public member), replacement of aging information systems equipment, and ratification of the Board's fee structure. The proposed packages total $104,893.

Board of Examiners of Licensed Dietitians – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	40,418	63,128	53,935	56,996
Positions (FTE)	0.30	0.30	0.30	0.30

Program Description

The Board of Examiners of Licensed Dietitians oversees the voluntary licensing of dietitians and assures ethical practice by licensed dietitians. The Board issues licenses to qualified applicants, renews licenses, and verifies continuing education. The Board also receives complaints and reviews them to determine whether the complaint falls within the Board's authority, and if so, obtains information to determine if a violation has occurred. If a violation has occurred, the Board takes appropriate disciplinary action.

Revenue Sources and Relationships

Estimated revenue from license fees is sufficient to maintain Board operations in the coming biennium. Revenue is estimated at $55,335 for 1999-01 and the same for 2001-03. At the Governor's recommended level, expenses for 2001-03 would exceed revenues by $1,661. The projected cash balance at the end of the 2001-03 biennium is $26,806. This balance represents an 11.3-month reserve.

Budget Environment and Performance Measures

The Board anticipates no changes in the number of licenses issued during 2001-03 as compared to the current biennium. The Board shares office space, network administrator services, database support and clerical support with seven other boards.

The Board has identified secondary links to five Oregon Benchmarks, but has not established agency specific quantifiable performance measures.

Governor's Budget

The Governor's recommended budget is a 9.7% decrease from 1999-01 estimated expenditures and a 5.6% increase when compared to current service level. The budget essentially maintains current services and reduces the budget for the phase-out of an over-budgeted information systems position and one-time computer expenses. The budget also includes increasing the number of board meetings from four to eight per biennium and expenses to begin a newsletter. No fee increases are proposed.

Mortuary and Cemetery Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	801,186	938,825	982,443	989,286
Positions (FTE)	5.00	6.00	6.00	6.00

Program Description

The Mortuary and Cemetery Board regulates individuals and establishments involved in the transportation, care, preparation, and processing of dead bodies. The Board provides oversight, regulation, testing, review, registration, certification and discipline of funeral service practitioners, embalmers, cemetery operators, pre-need salespersons, and crematoriums. The Board's oversight includes regular inspections of licensed facilities and investigation of complaints.

Revenue Sources and Relationships

The Board is funded solely by Other Funds revenue from application fees, license fees, examination fees, miscellaneous fees, a portion of death registration filing fees and civil penalties. The revenues are expected to increase 1.9% from 1999-01 estimates in the 2001-03 biennium. Revenues for the 1999-01 biennium are estimated to be $819,775 and $834,945 for the 2001-03 biennium. In 2001-03, expenses are anticipated to exceed revenues by $154,341. The Board will use ending fund balances to cover the additional expenses. The Governor's budget projects an ending cash balance of $182,062 (a 4.4 month operating reserve). No fee increases are proposed. The Board has not raised fees since 1993. In order to meet the continuing needs of existing programs and maintain an adequate ending balance, the Board anticipates requesting a fee increase during the 2003-05 biennium.

Budget Environment and Performance Measures

The industry has experienced a 39% increase in the number of funeral establishments and immediate disposition companies over the past 16 years. This increase is compounded with a 27% increase in the death rate. More then 50% of Oregonians prefer cremation, resulting in a 65% increase in the number of licensed crematoriums since 1984. The increase in facilities and licensed professionals has resulted in an increase in complaints the Board is required to investigate.

Oregon is experiencing escalation in corporate buyouts and an increase in the number of individuals who market pre-need funeral or cemetery goods and services. The national and multi-national funeral service corporations have been actively buying funeral establishments in Oregon. As of July 2000, three multi-national corporations owned 44% of all licensed funeral establishments in the state. The development of the pre-need marketing and other staffing requirements resulted in a dramatic increase in the number of initial individual licenses issued. The Board anticipates issuing 2,507 total licenses to individuals and facilities in 1999-01 as compared to 1,593 in 1991-93. The Board is required to inspect each facility and its records not less than once biennially. The 1993 Legislative Assembly passed a law requiring the registration of individuals who market pre-need funeral or cemetery service or merchandise. Background checks must be performed on all licensed and professional staff when ownership changes. Due to the enormous increase in corporate buyouts of funeral service facilities and the registration of pre-need salespersons, the Board's background investigation workload has increased. The Board expects to conduct 1,370 background checks during the 1999-01 biennium, representing an increase of more than 58% since 1993.

The Board has identified performance measures to monitor effectiveness and efficiency. They include the following:

- Complaint Investigation. This measures the percentage of investigative reports submitted to the Board within 120 days from receipt of complaint from any person. This measure demonstrates the Board's ability to investigate complaints promptly. The target is 80 percent.
- Complaint Resolution. This measures the percentage of complaints resolved within six months of receipt demonstrating the ability to resolve complaints promptly. The target is 75 percent.
- License Renewal. The percentage of new licenses issued within 15 days from receipt of a complete license renewal application shows the Board's ability to provide efficient customer service. The target is 80 percent.

Governor's Budget

While the Governor's recommended budget is a 5.4% increase over the 1999-01 estimated expenditure level, it essentially maintains the current service level for the agency and includes reclassifying an Investigator position to Compliance Manager.

Board of Naturopathic Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	290,020	301,123	309,338	313,988
Positions (FTE)	1.25	1.75	1.75	1.75

Program Description

The Board of Naturopathic Examiners is responsible for the examination, licensing, and regulation of naturopathic physicians. The Board conducts state jurisprudence examinations for applicants. The Board issues licenses to practice naturopathic medicine and certificates of special competency in natural childbirth. The Board sets continuing education standards and approves naturopathic schools or colleges offering four-year full-time residential programs. Currently, there are three Board approved colleges; another two are under review. The Board also investigates complaints, administers discipline, and imposes civil penalties. The Board consists of five members (four naturopaths and one public member) appointed by the Governor. One board member sits on the seven-member Naturopathic Formulary Council. The council meets one or two times per year to determine which substances a naturopathic physician may prescribe.

Revenue Sources and Relationships

The Board receives Other Funds revenues from fees charged to applicants and licensees for examinations, licenses and disciplinary actions. Revenues decreased in 1999-01, due to the Board no longer administering national exams; revenues for 1999-01 are estimated at $276,275. Projected revenues of $202,080 for 2001-03 assume maintaining the 1999-01 fees, which had been temporarily reduced to address the agency's high ending balance. The Board anticipates an ending cash balance of $190,648 for 1999-01, which equates to a 14.6-month reserve.

Budget Environment and Performance Measures

The Board will renew 400 licenses in 1999-2001, projecting a 5% increase to 420 in 2001-03. The number of new license applications is estimated at 175, reflective of expanding interest in naturopathic care. The naturopathic school in Portland alone has seen a 90% increase in graduates within the last biennium, from 136 graduates in 1999-01 to an expected 258 in 2001-03. The Board plans on using the web site, brochures, and newsletters to educate the public about naturopathy and the Board's role in regulating the field. As the number of both physicians and clients grows, the Board anticipates a corresponding increase in the number of complaints and investigations. The Board currently shares office space, computer support, and clerical resources with seven other small agencies.

The Board is in the process of redefining its performance measures. One measure under consideration targets the number of licensees having graduated from a four or five year Board-accredited program.

Governor's Budget

The recommended budget of $313,988 is a 4.3% increase over the Board's 1999-01 estimated expenditures. Aside from meeting current service levels, the budget provides funding for quarterly newsletters, patient brochures, and computer upgrades. Fees remain at the 1999-01 levels, enabling the Board to further reduce its ending balance. The budget anticipates an ending balance of $78,740 for 2001-03, which represents a 6-month reserve.

Board of Examiners of Nursing Home Administrators – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	159,901	163,440	179,074	179,074
Positions (FTE)	1.00	1.00	1.00	1.00

Program Description

The Board of Examiners of Nursing Home Administrators develops and enforces standards of practice for nursing home administrators. The Board consists of nine members (3 nursing home administrators, 3 public members, 1 registered nurse, 1 registered pharmacist and 1 physician) who are appointed by the Governor.

Revenue Sources and Relationships

The Board is supported by Other Funds in the form of fees for examination, re-examination, original licenses, renewal licenses, endorsement fees, provisional licenses and other miscellaneous fees. The Board is proposing a fee structure change in 2001-03 that increases some fees, eliminates one fee (the national examination fee will be collected by the national organization), adds new fee categories, and maintains the current fee in the largest category (renewals for inactive administrators). The most recent fee increases occurred in 1995; however, some fee categories have not increased in 15 years. The proposed fee structure is as follows:

FEE NAME	CURRENT FEE	PROPOSED FEE
Exam Fee - National	$200	$ 0
Exam Fee - State	$ 0	$125
Exam Retake Fee	$100	$125
Initial License Fee	$200	$225
Renewal Fee - Active	$300	$400
Renewal Fee - Inactive	$300	$300
Activation Fee	New	$100
Reactivation Fee A - lapsed more than 1 year	New	$500
Reactivation Fee B - lapsed less than 1 year	New	$425
Provisional License Fee	$200	$300
Endorsement Fee	$200	$300
Verification Fee	New	$ 25
Penalty for Late Continuing Education	New	$10/Credit Hour
Administrator -in-Training Fee	New	$100

Revenues for 1999-01 are estimated to be $22,000 lower than approved in the Legislatively Adopted Budget. The Board was aware of the revenue shortfall early in the current biennium and made efforts to reduce costs. Expenditures are estimated to be nearly $29,000 below approved levels for 1999-01. With the fee changes, the budget is estimated to produce an ending balance of $117,981, approximately 15 months of operating costs.

Budget Environment and Performance Measures

The Board licenses about 425 nursing home administrators. Nationwide there has been a 25% decline in candidates sitting for the national Nursing Home Administrator's examination. Burnout, fears of litigation, lack of mentoring and extensive regulation were some of the reasons offered. In Oregon, however, the number of administrators has remained stable for several years, ranging from 425 to 450. The number of new licenses issued in a biennium usually equals the number of administrators who choose not to renew their license.

The Board shares office space, equipment, and computer services with other health-related licensing boards, and shares in the cost of an information systems administrator through an interagency agreement with the Board of Nursing.

The Board has identified two performance measures:

- Quality of Customer Service. Performance is measured via a survey sent to customers based upon seven employee characteristics: 1) Courtesy, 2) Helpfulness, 3) Efficiency, 4) Knowledge, 5) Professionalism, 6) Telephone service, and 7) Usefulness of information provided. The Board has a target of an "Above Average" to "Excellent" rating. Sufficient survey information has not yet been collected for a current rating.

- Effectiveness of Administrator-In-Training Program. This measure is to determine if individuals serving as preceptors (nursing home administrators who train individuals in nursing homes) are meeting training needs of individuals registered in the Administrator-In-Training program. Personal interviews and a survey are used to determine the effectiveness of the program. The Board has established a target of "Above Average "to "Excellent". Data is not yet available to determine if the Board is meeting the target.

Governor's Budget

While the Governor's recommended budget of $179,174 is 9.6% above the 1999-01 estimated expenditures, it maintains the current service level for the agency. The budget includes the fee increase noted above. No other program enhancements are requested.

Occupational Therapy Licensing Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	170,000	221,583	219,767	226,767
Positions (FTE)	1.25	1.25	1.25	1.25

Program Description

The Occupational Therapy Licensing Board is responsible for licensing and regulation of occupational therapists and occupational therapy assistants and monitoring continuing education requirements. The Board consists of five members (three occupational therapists and two public members) appointed by the Governor. Staff consists of an executive officer (1 FTE) and a part-time office specialist (0.25 FTE).

Revenue Sources and Relationships

The Board is funded by revenue from license fees and miscellaneous fees. Fees are set by administrative rule to a maximum specified by statute. Currently, fees are at their statutory limit. Licenses are renewed each year. Fees are $75 for an initial occupational therapist (OT) license, $85 per year for an OT license renewal, $60 for an initial OT assistant license, and $70 per year for an OT assistant license renewal. Revenue is projected to adequately fund expenditures with an estimated ending balance of $140,595 equivalent to roughly 15 months operating expenditures.

Budget Environment and Performance Measures

The number of licensed occupational therapists and assistants increased 78% (from 711 to 1,263) between 1990 and 1999. A decrease occurred in 2000, however, as total licensees fell to 1,203. The Board receives more requests for information from licensees and the public as more occupational therapists and assistants maintain licenses in multiple states. The Board shares office space, equipment and staff with seven other health-related boards, and is participating in a joint business initiative to pool technology funds and create a compatible network/hardware system. The 1999 Legislature asked the Board to review fees for Occupational Therapists and Occupational Therapy Assistants. The Board's review determined that fees were appropriate for both groups and that changes in fees should not be made for 2001-2003.

Performance measures are under development and will be available for review during the 2001 Legislative Session.

Governor's Budget

The Governor's budget funds the Board at 1.9% above the 2001-03 current service level. Expenditures beyond the current service level include $5,500 for replacement of computers and printers and support for a shared investigator (.25 FTE). The budget also includes $1,500 for staff attendance at a national conference during the biennium.

Board of Pharmacy – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	1,857,889	2,119,775	2,108,970	2,848,183
Positions (FTE)	10.63	13.00	11.00	15.50

Program Description

The Board of Pharmacy is responsible for the licensing and regulation of pharmacists, pharmacy technicians and pharmacies, drug manufacturers, wholesalers, drug outlets and other distributors of legal drugs. The Board is also responsible for the quality and distribution of prescription drugs, over-the-counter drugs and controlled substances. The Board consists of seven members (five pharmacists and two public members) appointed by the Governor.

Revenue Sources and Relationships

The Board is funded by revenue from licenses and fees. The Board issues licenses to over 4,000 pharmacists and pharmacist interns, approximately 4,000 pharmacy technicians and more than 4,500 drug outlets. The agency is requesting a fee increase during the 2001-2003 biennium. Fees have not been increased in more than ten years. The proposed increase is as follows:

FEE NAME	CURRENT FEE	PROPOSED FEE
Pharmacist	$ 75	$120
Pharmacy Technician	$ 25	$ 35
Pharmacy	$100	$175
Pharmaceutical Manufacturer	$225	$400
Pharmaceutical Wholesaler	$225	$400

The Board submitted a legislative concept to raise statutory limits to these fees. The fee increase will allow the Board to meet current service level requirements with an adequate ending balance and fund requested policy packages, including staffing increases. The increase would produce an additional $780,780 in Other Funds revenue for the Board.

Budget Environment and Performance Measures

The Board has a staggered renewal system and currently has approximately 14,000 licensees and anticipates this number to continue to grow. There has been a large increase in the Board's compliance, investigation, licensing and administrative workloads. This is due primarily to pharmacists becoming more involved in direct patient care and drug therapy management, the use of pharmacy technicians, the increase in the number of drug outlets that must be inspected, the increased complexity of complaints and investigations, the growing popularity of the drug alert system (which alerts pharmacists of prescription scams), and an increase in requests for information from the public, pharmacists, attorneys and others. The number and complexity of consumer complaints continues to increase. Cases before the Board's Investigations Committee increased from 118 in 1996 to 256 in 1998 and 316 in 1999.

The Board identified several links to Oregon Benchmarks but has not developed quantifiable agency specific performance measures.

Governor's Budget

The Governor's recommended budget of $2.9 million is a 34.4% increase over 1999-01 estimated expenditures and 35.1% over the current service level. The budget includes the proposed fee increase discussed above. Also included in the budget is $270,000 for Phase 2 of the Board's computer system upgrade, two additional administrative staff positions, a 0.5 FTE permanent position for the Pharmacist Recovery Program, and increases in out-of-state and in-state travel. The recommended budget would result in an ending balance of $412,241, which is approximately 3.5 months of operating expenses.

Board of Radiologic Technology – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	297,251	361,540	352,998	406,404
Positions (FTE)	2.69	2.50	2.50	2.50

Program Description

The Board of Radiological Technology licenses and regulates radiologic technologists, sets minimum requirements for licensees and limited permit holders, and verifies completion of continuing education requirements. The Board is composed of seven members (four diagnostic radiologic technologists, one radiation therapist, one M.D. radiologist and one public member), appointed by the Governor. The Board is supported by an Executive Officer (1 FTE) and additional support staff (1.5 FTE).

Revenue Sources and Relationships

The Board is funded by license fees, examination fees, and fines. License fees for radiologic technicians and limited permit holders comprise 79% of the Board's revenue. Other sources of revenue include limited permit exams (8%), temporary licensing (9%), and miscellaneous fines and fees. The 1997 Legislature removed the Board's fees from statute, allowing administrative rule changes subject to review by the Legislature. Fees were increased during the interim from $3 to $5 per month. The 1999 Legislature authorized fees at a $4 per month level. This has required the Board to credit or refund $1 per month to each licensee, as their licenses are due to expire or renew. No fee increases are sought for 2001-03 budget. The Board's ending balance is expected to be $67,483, a 4.5 month operating expense reserve.

Budget Environment and Performance Measures

The Board has about 3,000 licensees, three quarters of whom are radiologic technologists (with degrees) and one fourth are limited permit licensees (attended trade school). New applications and license renewals, however, will be considerably higher than 1999-01, reflecting the change to a birth-month process. The Board shares office space, network administration and data base services, and clerical services with seven other licensing boards and contracts for professional investigation services.

Performance measures for the Board include primarily workload measures such as the number of licenses, renewal licenses, initial license and permit applications, and limited permit examinations administered. Conversion to birth-month licensing altered data reporting, resulting in a lower number of licenses in 1999-2001, with numbers increasing again for 2001-03. In addition, the number of licensees is decreasing in Oregon and nationally as technicians are branching into related imaging fields such as sonography and magnetic resonance imaging. Total license renewals for 2001-03 (3,199) are below 1995-97 levels (3,734).

Governor's Budget

The Governor's recommended budget represents an increase of 15% above the 2001-03 current service level. No increases in staffing are included in the budget. The Board will be visiting with stakeholders throughout the state regarding license fees, possible new sources of revenue, and statutory changes. They will also be soliciting legal advice from the Assistant Attorney General on these matters as well as a comprehensive review of operations administrative rules. Corresponding packages totaling $35,406 Other Funds are included to cover Assistant Attorney General costs, additional instate travel, and other operating expenses. The budget also includes $18,000 for database support, programming, and replacement of computers and printers.

Board of Examiners for Speech-Language Pathology and Audiology – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	123,505	154,392	148,668	153,568
Positions (FTE)	0.85	0.85	0.85	0.85

Program Description

The Board's purpose is to protect the public by insuring that practitioners meet and maintain minimum standards for practice. The Board evaluates the qualifications of individuals seeking licensure, investigates complaints against licensees or persons operating without a license, provides public information and education regarding licensure and is implementing professional development requirements for license renewal. The Board has seven members, appointed by the Governor: two licensed speech-language pathologists, two licensed audiologists, two public members, and one medical doctor with American Board of Otolaryngology certification.

Revenue Sources and Relationships

The Board is self-funded through application fees, license fees, and miscellaneous fees. Fees are $30 for initial application processing, and $100 per biennium for licensing of speech-language pathologists and audiologists. Since the majority of revenue comes at renewal time every two years, cash balances must be maintained to support expenditures through the biennium. Still, after accounting for the program expenditures for the biennium, 2001-03 revenues are expected to generate an adequate emergency reserve. Consequently, no fee increases are being requested for 2001-03. The Board anticipates spending a portion of the cash balance to maintain current service levels and fund optional packages.

Budget Environment and Performance Measures

The Board licenses, investigates and disciplines approximately 1,300 speech-language pathologists and audiology practitioners. The Board has increased its outreach and education with establishment of a website and distribution of a directory and newsletter. No significant increase in workload is expected. The Board shares office space, equipment and clerical help with other licensing boards, and is participating in a joint business initiative with them to pool limited technology resources and provide consistent access to technical support.

Performance measures are under development and will be available for review during the 2001 Legislative Session.

Governor's Budget

The Governor's budget funds the Board at 3.3% above the 2001-03 current service level. Expenditures beyond the current service level include $2,900 for computer and printer replacement, and $2,000 for staff attendance at a national conference during the biennium. Projected revenues will adequately fund these increases with an ending balance of $41,285 or the equivalent of over 6 months operating expenses.

Veterinary Medical Examining Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	330,269	419,437	426,045	436,045
Positions (FTE)	1.75	2.25	2.25	2.25

Program Description

The Veterinary Medical Examining Board is responsible for regulating veterinary medical practice, including the licensing of veterinarians, veterinary technicians, interns, and animal euthanasia technicians and shelters. The Board has seven members (five veterinarians and two public members) appointed by the Governor.

Revenue Sources and Relationships

Other Funds revenues from license, application and examination fees, penalties and sale of lists to the public support the Board. Beginning in November 2000, the national licensing examination will be conducted on a computer with applicants scheduling the test through a central agency. Oregon's relatively low application fee, as compared to other states, is expected to attract an increased number of applicants. Expenditures proposed for the 2001-03 biennium can be funded within the current fee structure. The ending balance is projected to be $367,489, a 20.2 month operating expense reserve.

Budget Environment and Performance Measures

Currently there are 2,900 licensees regulated by the Board. In addition to the change in administering the national licensure examination, other issues include the practice of alternative health methods for animals being practiced by unlicensed lay persons, ownership of veterinary practices by non-veterinarians, and the number of complaints received by the Board. Additionally, the Board's Administrative Rules have not been thoroughly reviewed or updated for 10 years.

The Board did not identify any performance measures.

Governor's Budget

The Governor's recommended budget of $436,045 is a 4% increase over the 1999-01 estimated expenditures and 2.3% over the current service level. The budget provides funding for Attorney General expense to review Administrative Rules, upgrading the office telephone system, replacing a computer, and travel expense for one board member to participate in two annual national conferences.

Board of Investigators – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	49,929	0	0	0
Other Funds	99,965	340,756	275,139	413,517
Total	**149,894**	**340,756**	**275,139**	**413,517**
Positions (FTE)	1.02	2.29	1.00	2.50

Program Description

The Board of Investigators was created by the 1997 Legislature and consists of five members that are appointed by the Governor. The Board is responsible for licensing qualified private investigators and registering qualified operatives. Additionally, the Board is required to adopt administrative rules, establish minimum qualifications, approve and administer tests, formulate a code of professional ethics, establish and enforce professional education requirements, investigate alleged violations, and impose sanctions.

Revenue Sources and Relationships

The Board is supported primarily by application, exam, registration, license, and renewal fees paid by private investigators and their operatives ($413,656). A small amount of revenue is generated from miscellaneous sources such as licensee lists and copies. In 1997-99, the Emergency Board allocated $50,000 for agency start-up. The Agency reimbursed the General Fund in October 2000.

The Board estimates processing 227 applications for initial licenses and 399 renewals during the 1999-2001 biennium. These numbers are significantly higher than estimates used to prepare the 1999-01 budget. The Board's current fee structure will be adequate to support the budget request.

Budget Environment and Performance Measures

After two years of operation, the Board of Investigators has identified five issues driving their budget request for the 2001-2003 biennium. Those five issues include:

- A lack of understanding and knowledge by the public of the Agency's mission and purpose.
- Use of titles other than Investigator or Operative by individuals to avoid licensure.
- Higher than anticipated complaints.
- Increased workload for staff and Board members.
- Rapid change in technology.

As a relatively new agency, the Board of Investigators has not yet created agency specific performance measures. The Board has adopted a six-year strategic plan, which will be an integral part in creating agency benchmarks as well as performance measures.

Governor's Budget

The recommended budget of $413,517 is $72,761 (21.4%) higher than the 1999-01 estimated expenditures. Since the Board is a relatively new agency, it continues to grow and establish its presence. The increase in the budget request is due primarily from increasing workload. The budget covers additional staff, including changing limited duration positions to permanent status, and related Services and Supplies expenditures.

Bureau of Labor and Industries (BOLI) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	12,486,337	12,571,552	13,239,997	12,443,266
Other Funds	3,922,267	3,594,914	3,965,059	4,058,992
Federal Funds	1,070,327	894,251	1,214,384	1,206,676
Nonlimited	1,077,939	1,458,800	2,215,000	2,215,000
Total	**18,556,870**	**18,519,517**	**20,634,440**	**19,923,934**
FTE	132.30	129.00	124.25	113.50

The Bureau of Labor and Industries has four divisions: Commissioner's Office / Program Support; Civil Rights; Wage and Hour; and Apprenticeship and Training. The Bureau insures compliance with state laws relating to apprenticeship; wages and hours worked; terms and conditions of employment; and rights of workers and citizens to equal and nondiscriminatory treatment.

Revenue Sources and Relationships

Nearly half of the Bureau's revenues come from Other Funds. Approximately 63%, or $8.5 million, total Other Funds revenues are derived from a fractional percentage (.03%) of the unemployment taxes paid by employers each year to pay final wages for employees whose employers cease operations and default on final paychecks. Assessments on public works construction contracts for the Prevailing Wage Rate program account for 22%, or $2.6 million, of Other Funds revenues; Technical Assistance Fees represent 9%, or $1 million, miscellaneous receipts and sales income produce 4%, or $950,000. The Department receives an estimated $1.2 million in Federal Funds from the Equal Employment Opportunity Commission. This supports approximately 63% of actual costs for civil rights where federal and state jurisdictions overlap.

Budget Environment and Performance Measures

The Bureau of Labor and Industries' workload is primarily driven by the number of complaints it receives relating to wages and hours worked; terms and conditions of employment; and rights of workers and citizens to equal and nondiscriminatory treatment. General wage complaint activity has increased significantly, from a low of 2,500 in fiscal year 1998 to over 3,300 in fiscal year 2000. Wage Security Fund filings and payouts increased from 528 in 1998 to 763 in 2000. The bureau attributes wage claim increases to the number of new business startups having inexperienced owners and managers unfamiliar with employment law and aggrieved employees who do not have reservations about filing a claim against former employers due to the positive labor market conditions. Apprenticeship registration has declined from a high of over 8,000 in fiscal year 1997 to the current 6,300 due to the cancellation of inactive programs and an unwillingness of some participants to meet the current standards. Construction activity is beginning to slow which may impact future apprenticeship enrollments and prevailing wage activity.

BOLI programs support Oregon Benchmarks by seeking compliance from all Oregon employers. The benchmarks presume that Oregonians, when employed, have equal access and opportunity to participate in employment and community activities without discrimination and that they are paid the agreed upon rate at the time due under fair working conditions. Specifically, the bureau relates to the following three benchmarks:

1) Benchmark 24; Percentage of Oregon adults (25+) who have completed some college;
2) Benchmark 29; Percentage of Oregonians in the labor force who received at least 20 hours of skills training in the past year; and
3) Benchmark 32; Civil and occupational participation; representations as percentage of community adult populations.

The Bureau of Labor and Industries uses a number of performance indicators to determine effectiveness. Major indicators for the Department include:

- Maintaining the average civil rights case processing time at less than six months. Currently the agency is achieving 160 days. BOLI's projected 2001-03 budget assumes maintaining the case processing time at less than 180 days.
- Reducing the average wage claim completion to 45 days or less. Currently the agency goal is achieving the average wage claim completion time in 53 days. BOLI's projected 2001-03 budget assumes improving that time frame to 45 days.

- Increasing the proportion of women apprentices. Currently, the agency is achieving 4.78 percent. BOLI's projected 2001-03 budget assumes increasing the percentage to 6% by the end of the biennium.
- Increasing the proportion of minority apprentices. Currently the agency is achieving 10.77 percent. BOLI's projected 2001-03 budget assumes increasing the percentage to 14% by the end of the biennium.

Governor's Budget

The Governor's recommended budget of $19,923,934 total funds is increased $1.4 million or 8% from the 1999-01 estimated budget, and decreased $710,506 or 3% from the 2001-03 current service level. The recommended budget includes reduction options to abolish 11 positions (10.50 FTE) resulting in a $1.1 million General Fund current service level reduction. Specific recommendations are discussed under each program unit.

BOLI – Commissioner's Office/Program Support

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,007,013	3,986,117	3,942,678	3,727,096
Other Funds	1,003,160	1,146,556	1,733,149	1,827,082
Federal Funds	176,829	197,634	205,711	205,711
Total	**5,187,002**	**5,330,307**	**5,881,538**	**5,759,889**
Positions (FTE)	28.50	30.25	30.50	29.50

Program Description

The Commissioner's Office and Program Support Services Division provides overall policy direction and management for the Bureau. The Division's program units are:

- ***Commissioner's Office*** (5.00 FTE). This unit combines administration, strategic planning, legal policy, public information and intergovernmental relations into one activity area.
- ***Business Services*** (10.50 FTE). This program provides centralized fiscal services including accounting, purchasing, payroll, budget development, contract administration and telecommunications. Personnel services such as safety, wellness, labor/management relations, workers' compensation, training, and staff development are another component of this program area. The Information Services activity implements and maintains the department computer information systems and user support functions.
- ***Hearings Unit*** (6.42 FTE). This unit convenes administrative law proceedings in contested cases for wage and hour, civil rights and apprenticeship determinations.
- ***Technical Assistance for Employers*** (8.58 FTE). This unit provides employers with information in the form of handbooks, pamphlets, a telephone information line and customized workshops and seminars regarding employment law requirements. In 1999, an additional two positions were authorized to provide general public contracting information.

Revenue Sources and Relationships

This program is primarily funded from General Fund resources. Other Funds revenues for the Commissioner's Office/Program Support Division include fees from seminars for employers on Civil Rights and Wage and Hour laws, on-site presentations, and the sale of handbooks totaling just over $1 million. Special Prevailing Wage Rate revenues of $191,000 provide targeted assistance for public contracting compliance. Additional Other Funds are received from miscellaneous fees. Federal Funds of nearly $205,000 reflect costs for administrative law proceedings for contested cases relating to the Equal Employment Opportunity Commission (EEOC) contract.

Budget Environment and Performance Measures

Agency staffing has declined 17% since the 1995-97 biennium without a corresponding overall reduction in workload. Administrative Law proceedings, both cases going to hearing and cases settled prior to hearing, have held reasonably steady. Telephone inquiries for Technical Assistance have decreased somewhat with the addition of the agency's website, while seminar and on-site programs have increased from 211 to 240 since 1995. Timeliness of response remains the primary customer concern of the bureau. The Commissioner's Office tracks a number of workload measures that include the number of hearings held, cases settled prior to hearing, number of telephone inquiries, and the number of seminar and on-site programs. Formal performance measures for this collective program area have not been developed.

Governor's Budget

The Governor's recommended budget is $5,759,889 total funds. Overall, the Commissioner's Office and Program Support budget is increased $429,582 or 8% from the 1999-01 estimated budget, and decreased

$121,649 or 2% from the 2001-03 current service level. The recommended budget abolishes one Accounting Technician position ($80,584 General Fund), requiring the office to assume a higher level of risk for complying with separation of duties that are required as a part of internal control. The reduced budget also includes reclassifying an Executive Support Specialist to a lower classification of Office Specialist, saving $16,065 in General Fund; reducing the Attorney General (AG) General Fund allocation $25,000; and shifting all of the General Fund support from the Technical Assistance Program to Other Funds, saving $93,933. Total General Fund reductions result in a 5.5% decrease from the General Fund current service level. Removing General Fund support from the Technical Assistance program will require increased charges for publications, guidebooks, seminars and customized training for employers and employer groups in order to provide employers the current level of consultative services about meeting requirements of the law.

BOLI – Civil Rights

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,592,722	2,739,999	2,831,799	3,043,446
Other Funds	643,667	683,919	291,551	291,551
Federal Funds	814,997	638,971	936,853	936,853
Total	**4,051,386**	**4,062,889**	**4,060,203**	**4,271,850**
Positions (FTE)	36.00	35.50	30.50	31.00

Program Description

The Civil Rights Division enforces laws that grant job seekers and employees equal access to jobs, promotions, and a workplace free of discrimination and harassment, and assures job protection for persons reporting safety or other violations, using family leave provisions or the workers compensation system. The Division also enforces laws protecting those seeking housing or using public facilities, and protects access to career schools. The Division processes employment discrimination complaints for Oregon Occupational Safety and Health Administration (OR-OSHA) and Workers Compensation, and ordinance complaints related to discrimination for the cities of Corvallis, Eugene, and Portland, and for Benton County.

The Division operates under a work-share agreement with the federal Equal Employment Opportunity Commission (EEOC) 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. These dual-filed cases represent about half the division's caseload.

The Labor Commissioner also has a 15-member advisory council, the Oregon Council on Civil and Human Rights, which provides citizen input in identifying and addressing current and emerging civil and human rights issues.

Revenue Sources and Relationships

The Civil Rights Division expects to receive Other Funds of over $277,000 from OR-OSHA, the cities of Corvallis, Eugene and Portland, and Benton County for services provided under contract, and miscellaneous revenues from providing public record copies. A major Other Funds source ($460,000) from the Worker Benefit fund for investigating allegations of discrimination against injured workers will sunset after June 30, 2001. A budget note directing funding alternatives is discussed below. The EEOC work-share reimbursement of $500 per case provides Federal Funds covering about half the actual costs, revenues that are anticipated to be about $1 million. Because federal and state civil rights jurisdictions overlap, reductions in federal resources are shifting the costs of shared cases toward the General Fund.

Budget Environment and Performance Measures

The Civil Rights Division responds to nearly 28,000 inquiries annually and investigates over 2,000 cases per year. Most of these cases relate to discrimination in employment. In 1996, the agency increased efficiency by implementing a new case management system. This system has provided complainants with quicker resolution, screened out cases for which there is no evidence at the earliest possible time, and has helped the agency to offset the declining federal share of investigative costs. Because of these improvements, processing time for each case has been reduced from 11 months to less than 160 days. Complaints of discrimination have been reduced from a high of 2,749 in 1995 to approximately 2,000 in 2000. Federal revenues have declined only as a result of fewer cases being allocated to the region. While it is difficult to predict how many cases the federal EEOC will contract for, BOLI recommends a reduction of one position that has remained vacant during the biennium due to the decrease in federal revenue.

Funding for investigation of discrimination complaints against injured workers was shifted from the General Fund to the Workers Compensation Fund in 1995. It was renewed in the 1997-99 biennium and again in the 1999-2001 biennium. Complaints from injured workers of discrimination or retaliation for using the workers compensation system comprise 15 to 20% of the Civil Rights Division's annual caseload and require the equivalent of four investigators, or $531,419, for the current service level. A budget note in the 1999-2001 budget report directed the bureau to develop future budget proposals that do not include or depend on revenues from the Workers' Benefit Fund. There are no other appropriate Other Funds sources, and injured worker protections are covered only under state law, not under federal EEOC coverage. A policy option package is proposed to shift funding for these cases to the General Fund.

Performance measures in this program area include:

- The number of days from questionnaire to drafted charge. Currently the agency goal is 21 days, with an achievement rate of 22 days. BOLI's projected 2001-03 budget assumes maintaining the current level of performance and moving toward the goal.
- The number of days to process a case. Currently the agency goal is 139 days, and the achievement rate is 160 days. BOLI's projected 2001-03 budget assumes maintaining performance at less than 180 days and improving to 150 days by June 2003.
- The average number of days from filing to initial interview. Currently the agency goal is 30 days, and the achievement rate is 40 days. BOLI's projected 2001-03 budget assumes improving performance toward the goal.

Governor's Budget

The Governor's recommended budget is $4,271,850 total funds. The budget reflects an increase of $208,961 or 5% from the 1999-01 estimated budget, and a decrease of $211,647 or 5% from the 2001-03 current service level. The change in current service level is primarily due to eliminating the Worker's Compensation Benefit Funding for civil rights hearings of injured workers from the base budget and re-establishing funding in a General Fund policy option package. The decision package funds four (4.00 FTE) civil rights investigators, and associated services and supplies, at a General Fund cost of $531,419. The recommended budget includes a reduction option to abolish three (2.50 FTE) civil rights investigators and one (1.00 FTE) office specialist position. The reduction will result in increased case processing times and potential loss of jurisdiction over some complaints for not processing within statutory deadlines. Cases that are not processed within the statutory deadline are administratively closed without investigation and complainants are directed to pursue their cases privately through the court system. The saving to the General Fund is $319,772.

BOLI – Wage and Hour

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,378,685	3,235,464	3,543,637	3,096,759
Other Funds	2,275,440	1,764,439	1,940,359	1,940,359
Nonlimited	1,077,939	1,458,800	2,215,000	2,215,000
Total	**6,732,064**	**6,458,703**	**7,698,996**	**7,252,118**
Positions (FTE)	43.55	39.00	39.00	33.50

Program Description

The Wage and Hour Division administers and enforces laws that involve the minimum wage and overtime, wage collection, certain working conditions, and the employment of minors. The Division also enforces regulations pertaining to private employment agencies, conducts surveys and regulates prevailing wage rates on public works contracts, and licenses and regulates farm and forest labor contractors.

Revenue Sources and Relationships

The Wage and Hour Division expects to receive $100,000 in licensing fees for farm / forest labor contractor licenses, about $1.6 million from assessments on public construction contracts for the Prevailing Wage Rate (PWR) program, and $500,000 in interest and recoveries for the Wage Security Fund. The Fund is dedicated to pay the final wages for employees whose employers cease operations and default on final paychecks. It was transferred to the nonlimited budget by the 1995 Legislature. Over $3.1 million will be received for the Fund in 2001-03 from the .03% of unemployment tax premiums paid by employers during one quarter of each biennium.

Budget Environment and Performance Measures

The Wage and Hour Division issued and renewed licenses to about 240 farm and forest labor contractors and conducted 150 investigations in fiscal year 1999-2000. Prevailing wage rate investigations have increased more than 48% since the previous biennium. In the 1999-2001 biennium, the Division collected over $1.2 million in unpaid prevailing wages, 14% more than the previous biennium. Also in 1999-2000, almost 3,400 wage claims were filed, and the Wage Security Fund paid 763 claims**.** BOLI projects over $2.1 million will be paid out of the Wage Security Fund in 2001-03, an increase of approximately 12% based on the number of wage claims currently on file and projected for the biennium.

Performance measures in this program area include:

- The number of days to process a wage claim. Currently the agency goal is 45 days, and the achievement rate is 53 days. The 2001-03 budget presumes the current service level with continuing progress toward the goal.
- The number of days to Wage Security Fund pay outs. Currently the agency goal is 15 days, and the achievement rate is 31 days. The 2001-03 budget presumes the current service level.
- The number of days from receipt of prevailing wage rate complaint to closure or referral. Currently the agency goal is 90 days, and the achievement rate is 106 days. The 2001-03 budget presumes the current service level.
- The number of days to process a farm labor wage claim. The agency has set an ambitious goal of 30 days, due to the more vulnerable circumstances of the claimants. The current achievement rate is 84 days. The 2001-03 budget presumes the current service level with continuing progress toward the goal.
- The number of days to process a farm labor complaint. Currently the agency goal is 90 days, and the achievement rate is 102 days. The 2001-03 budget presumes the current service level.

Governor's Budget

The Governor's recommended budget is $7,252,118 total funds. The recommended budget for the Wage and Hour Division is increased $793,415 or 12% from the 1999-01 estimated budget, and decreased $446,878 or 6% from the 2001-03 current service level. The Governor is recommending six positions (5.50 FTE) be abolished including two compliance specialists, two administrative specialists and two office specialists. The reduction results in a $446,878 saving to the General Fund. With this reduction, the Farm and Forest Labor Unit will not visit growers, farmers and reforestation contractors while work is underway to promote compliance before complaints are filed. The unit will become complaint driven potentially increasing violations by employers of migrant workers. The Division may be required to limit enforcing wage claims only to the statutory minimum wage rather than a disputed rate greater than minimum wage. Workers will be required to choose to settle for minimum wage or pay a private attorney to collect higher rates. A significant increase is included in the recommended budget for non-limited special payments of wage claims from $1.4 million in the 1999-01 estimated expenditures to $2.1 million. Because the maximum wage claim was increased to $4,000 from $2,000 during the 1999 Legislative Session and several recent businesses have failed, the Department is anticipating an increase in the volume of special payments from the Wage Security Fund.

BOLI – Apprenticeship and Training

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,507,917	2,609,972	2,921,883	2,575,965
Federal Funds	78,501	57,646	71,820	64,112
Total	**2,586,418**	**2,667,618**	**2,993,703**	**2,640,077**
Positions (FTE)	24.25	24.25	24.25	19.75

Program Description

Following the policy direction of the 10-member Oregon State Apprenticeship and Training Council, the Division promotes the development of a highly skilled workforce through partnerships with government, labor, business and education, and provides apprenticeship opportunities for individuals. The Division is responsible for registering apprentices and working with local apprenticeship committees to develop and submit standards to the Council for approval. Regular compliance reviews of the local committees are conducted to insure that apprentices are being treated fairly and receiving the best possible training. The Division is also responsible for maintaining a statewide registration of education and training programs for veterans, and working in partnership with school-to-work programs, educators, employers and students. The Division works cooperatively with school-to-work programs to connect adult apprenticeship standards to core competencies identified at the high school level.

Revenue Sources and Relationships

The Apprenticeship and Training Division will receive a federal grant of over $70,000 from the Veterans Administration for on-the-job training of qualified veterans.

Budget Environment and Performance Measures

The Division maintains a registry of nearly 7,000 apprentices and over 4,300 participating employers. It conducts compliance reviews to insure that programs are acting in accordance with their standards and to assure that all apprentices are being treated equally.

Key indicators of performance in this program include:

- The total number of registered apprentices. The agency goal is to maintain 6,000 registered apprentices. Actual results for 1999-2001 are 6,788 apprentices.
- The total number of annual new registrations. The agency goal is 2,500, and the achievement is 2,664 for 1999-2001.
- The percent of participants in apprenticeship programs that are female. Currently, 4.78% of participants are female, with a potential for 6 percent. The 2001-03 budget will pursue meeting this goal.
- The percent of participants apprenticeship programs that are minorities. Currently, 10.77% of participants are minorities, with a potential for 14 percent. The 2001-03 budget will pursue meeting this goal.
- The number of Compliance and Affirmative Action reviews. The agency is currently achieving 154 with a potential for 178. The 2001-03 budget presumes maintaining the current service level and progressing toward the goal.

Governor’s Budget

The Governor’s recommended budget is $2,640,077 total funds. The recommended budget for the Apprenticeship and Training Division is decreased $27,541 or 1% from the 1999-01 estimated budget, and $353,626 or 12% from the 2001-03 current service level. The Governor is recommending four positions (4.50 FTE) be abolished including one apprenticeship representative, one administrative specialist and two office specialists. The reduction results in savings of $348,918 for the General Fund and $7,708 in Federal Funds. The reduction in this program affects the Division’s ability to provide consistent and accurate program openings, requirements and strategies for applying to apprenticeship programs. The increase in addressing public information requests by the remaining staff will detract from their compliance duties.

Landscape Contractors Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	371,497	427,901	434,093	434,093
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The mission of the Landscape Contractors Board is to assure consumer protection, contractor competency and fair competition in the landscape industry. The agency regulates 1,219 landscape contractors and 985 landscaping businesses, and provides consumer education and dispute resolution services. The Construction Contractors Board provides administration and staff support through a contract with the Landscape Contractors Board. This contract represents 4% of the workload of the Construction Contractors Board.

Revenue Sources and Relationships

The agency receives revenues from license and examination fees, and from late fees and change fees. Fees were increased by 67% in 1997. This was the first increase for the Board in more than 10 years. License fees are estimated at $375,105 for the 2001-03 biennium, and examination fees are estimated at $27,045. Eighty percent of civil penalties are transferred to the General Fund. Total civil penalties for 2001-03 are estimated at $28,000.

Budget Environment and Performance Measures

The Landscape Contractors Board had 1,074 active licensees in 1989, and 2,103 in 1998, which is an increase of 96 percent. Claims in the same time period grew from 16 to 64 per year (300%) and enforcement activities grew from 79 to 150 per year (90%). Telephone calls averaged 18 per day in 1989 and 52 per day in 1998, which is a 188% increase. The number of landscape contractor business licenses is expected to continue to increase at an average rate of 3% per year, with a corresponding increase in claims and enforcement activities.

The Landscape Contractors Board is administered jointly with the Construction Contractors Board through an interagency agreement. Budget notes for the 1999-2001 biennium directed the Construction Contractors Board to return to the Emergency Board after review of technology and staffing and classification issues. The Board was able to absorb cost increases from these adjustments within its 1999-2001 limitation.

The Board is considering a statutory change that would establish LCB as a semi-private agency. If the Board decides to proceed, the 2001 Legislature will review the fiscal and policy impact of that action.

The Board has had workload measures in place since 1991. The Board has not identified targets for any of these measures. Workload measures include:

- Completed files per FTE/year. This is a measure of staff workload. The agency established a baseline of 164 completed files per FTE per year, with 170 projected 1999-2001 completions.
- Average time for LCB to take action. This measure is subcategorized by licensing, claims and enforcement actions. This measure is partially an agency-driven (agency time in process) and partially customer-driven (time to respond). An example of this measure is total days to process a claim. The Board established a baseline of 234 days to process a claim, with a projected 1999-2001 timeline of 160 days.
- Collection success. This is a measure of staff workload. LCB has identified a baseline of 30 collections per year, and a projected 1999-2001 rate of 34 collections. However, LCB does not identify what this collection represents in terms of total amounts due, or the collection rate.

The LCB has one outcome measure. LCB conducts an annual survey of customer satisfaction, and this outcome measure is based on the results of this survey. The survey measures respondents rating the quality of service as good or excellent. LCB has a baseline of 71%, and a 1999-2001 projected rating of 85 percent. LCB has not identified a target for this measure.

Governor's Budget

The Governor funds the Board at the current service level.

Board of Medical Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	4,695,696	5,683,710	5,930,570	6,137,247
Positions (FTE)	31.25	30.96	30.96	31.00

Program Description

The mission of the Board of Medical Examiners is to protect the health, safety, and well being of Oregon's citizens by regulating the practice of medicine in a manner that promotes quality of care. To this end, the Board of Medical Examiners licenses, registers, and regulates medical doctors, doctors of osteopathy, podiatrists, physician assistants, and acupuncturists. The Board has the authority to revoke or suspend the license or privileges of health professionals to practice in the state. The Board consists of eleven members appointed by the Governor and confirmed by the Senate. It includes seven medical doctors, two doctors of osteopathy and two members who represent the general public.

The Board has two program units—the Operations Program Unit and the Health Professionals Program. Operations has 28.36 FTE and includes administration (budget, information systems, and human resources oversight), initial and renewal licensing, public information, and complaint investigation. The Health Professional Program is a diversion program to assist licensed health professionals who have substance abuse problems. The program is designed specifically to offer a confidential avenue for practitioners (and concerned families and colleagues) to seek assistance and access treatment in the earlier stages of the disease. The costs of the diversion program are approximately 11% of the Board's total budget, with the remainder for licensing, investigation and other Board functions.

Revenue Sources and Relationships

Ninety six percent, or $6.3 million, of the Board's $6.5 million revenue is derived from fees for licensure, examination, certification, and registration of the various health professionals under the jurisdiction of the Board. Four percent of the agency's revenue comes from the sale of lists, directories, and other miscellaneous sources. ORS 677.290 requires that the Board transfer $10 to the Oregon Health Sciences University for each in-state registered physician to be used in maintaining a medical library. The total revenue that the Board will transfer to OHSU during the 2001-03 biennium is expected to be about $168,000.

The Board increased most of its fees during the 1999-01 biennium an average 30% using its administrative rule process after a thorough discussion during the 1999 Legislative Session. This was the first increase in ten years. The fees were increased to cover rising costs and to allow for sufficient cash flow and ending balance. The Board expects to increase its fees and other charges by 5% during the 2001-03 biennium. A 5% increase would increase the agency's revenue by about $297,000.

Legislation may be introduced that would allow interest on the Board's Treasury account to be credited to the account rather than to the General Fund. The Board estimates this action would generate approximately $150,000 for the Board's use over the course of the biennium. If this legislation passes, the Board projects that it will need a 2 to 3% increase in fees rather than a 5% increase in fees.

Budget Environment and Performance Measures

The agency's budget is primarily influenced by three factors: (1) the number of licensees, complaints, and participants in the Health Professionals Program; (2) regulatory responses to changes in the medical profession; and (3) demands for new ways for the agency to deliver services to its customers.

The Board currently has oversight for about 12,500 health professionals including 11,500 physicians, 200 podiatrists, 400 physician assistants, and 400 acupuncturists. Total licensees are about 4% higher than they were two years ago. However, two licensee categories, physician assistants and acupuncturists have grown by 22 and 24 percent, respectively, over the last two years. Currently the agency monitors 112 practitioners in its Health Professionals Program—slightly higher than the number of participants (106) who were being served two years ago.

The agency's staff receives over 2,400 complaints and inquiries each biennium. This reflects a 20% increase over the last two years. Approximately one-third of these results in investigation, with some leading to disciplinary action. Disciplinary action can range from a Board reprimand to license revocation. Other complaints do not involve violations of the Medical Practice Act, are referred elsewhere as appropriate, or are resolved in some other way.

Changes in the medical profession also require regulator responses by the Board. The Board notes that financial pressures, managed care, the proliferation of health maintenance organizations, and technology are causing the industry to evolve from a profession into a business. These changes have had both positive and negative results. One the one hand, managed care has fostered awareness among physicians of financial costs and the need to study and understand care outcomes. This has encouraged the development of standards of care. On the other hand, practitioners have grown dissatisfied with increased paperwork and frustration that medical decisions are being influenced by cost considerations. In addition, many doctors are required to see more patients in less time. This increases the potential for error or responding to the stress in unhealthy ways. Patients as well respond to these changes by lodging more complaints to which the Board must respond. In the face of these changes, the Board continues to ensure that qualified applicants are licensed and to investigate complaints. The Board conducts workshops on appropriate prescribing and regularly uses its newsletter, web site and Physicians Handbook as educational tools.

In November 1999, the Institute of Medicine published a report on patient safety and medical errors. This report sites two studies, one conducted in Colorado and Utah and the other in New York, that imply that between 44,000 and 98,000 Americans die each year as a result of medical errors. In partial response to this study, the national Citizens Advocacy Center in Washington D.C. is conducting pilot projects around the country that may find better ways for regulatory agencies and health care organizations to work together to reduce medical errors. Both Oregon's Board of Medical Examiners and the Board of Nursing have been accepted as part of this pilot project.

Like other state agencies, the Board of Medical Examiners has received requests from its customers to conduct more business and to provide more information over the Internet. The Board has already put some of its licensing forms on its web site to be downloaded by licensees and applicants. In addition, the Board is now making public information about disciplinary actions more readily accessible through its newsletter, which is available on the Web and in hard copy. The Board would like to expand its capacity to conduct business processes using the Internet and is working with the Department of Administrative Services to do so.

Among measures used by the agency to gauge performance are the following:

- The time required to process an application for licensure. The agency is reviewing data from 2000 and will have an update of the measure and performance goal to present during its 2001 Ways and Means Committee hearing.
- The time elapsed between the receipt of a correctly completed registration and the issuance of a new certificate. The information is available in odd-numbered years and for 1999 was 18 days. The agency's goal is 18 days.
- The time between the receipt of a complaint and the resolution of the complaint. Performance has improved over the last three years. The number of days has dropped from 255 (1998) to 221 (1999) to 159 in 2000. The agency's target is 159 days.
- The time between receipt of an invoice and its payment. The agency will present measurement data and a performance goal during its Ways and Means Committee hearing.
- The rate of lasting substance abuse recovery among diversion program clients. The success rate over the life of the program is 88 percent. The program began in 1989.
- The level of agreement between agency staff and the Board in their interpretations of the Medical Practices Act. The Board of Medical Examiners has some latitude in its interpretation of the Medical Practices Act—the statutory standards for the lawful practice of medicine in Oregon. Because of this, the agency believes that staff who investigate and assess possible licensee violations of the Act must interpret the statutes in ways that are similar to the Board's. The agreement between the Board and staff is measured by comparing the number of investigations of possible violations that are deemed by the Board to be closed (because of no violation) with the number deemed by the agency's Medical Director and agency staff to be closed. This ratio during 2000 is above 90 percent. The agency's goal is 90% or higher.

Governor's Budget

The Governor's recommended budget of $6.1 million of Other Funds is $0.2 million or 3.5% higher than the agency's current service level of $5.9 million. The increase is the result of included four policy packages that are described below.

- The first package includes $62,000 of technology improvements—replacement of aging mail, database, and firewall servers; software upgrades; as well as an electronic commerce pilot project that would allow on-line verification of licensure and begin the process of allowing licensees to renew their licenses on line.
- A second package of $28,000 (0.04 FTE) enhances the agency's ability to recruit and retain employees. Three thousand dollars of this package is used to increase one position from 0.96 FTE to 1.00 FTE and is financed from a reduction in services and supplies. The remaining $25,000 is used to purchase Tri-Met bus passes for 20 employees.
- The third policy package of $64,000 increases compensation for medical consultants used by the Board for hearings and its substance abuse diversion program from $65/hour to $95/hour. In comparison, Washington's medical board pays an average rate of $150/hour for case review and $300/hour for expert witness testimony. In California, expert witness testimony costs $100/hour and in Idaho, the medical board uses volunteer consultants for most cases.
- The fourth policy package of $56,000 would fund per diem increases for Board members. The 1999 Legislative Assembly passed SB 265, which increased allowable per diem compensation for Medical Board members from $30 to $250. However, the agency was instructed to absorb the higher per diem costs and was not given additional expenditure limitation. Thus, the cost increases were not included in the agency's 2001-03 current service level.

The Governor's budget assumes that the Board will increase its fees by 5% in the 2001-03 biennium and provides an ending balance of $2.5 million—nearly a ten-month operating balance.

Board of Nursing – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	4,740,501	5,883,637	6,203,555	6,404,277
Positions (FTE)	31.46	33.75	34.00	34.50

Program Description

The mission of the Board of Nursing is to protect the public health, safety and well being through the regulation of nursing practice and nursing education. The Board licenses, registers and regulates nurses, nursing assistants and nurse practitioners. The Board has the authority to revoke or suspend the license or privilege to practice in the state. The Board consists of nine members appointed by the Governor. The agency is divided into four small divisions.

The first, consisting of 10 FTE, investigates complaints regarding violations of the Oregon Nurse Practice Act and recommends appropriate disciplinary action to the Board. Law Enforcement Data System (LEDS) checks are done on all initial and renewal licensure and certification applications. This division also administers a Nurse Monitoring program to assist the licensed nurses who have substance abuse problems. The program provides information about approved treatment programs, formal intervention counseling, and on-going support and monitoring for individuals who have received treatment. To successfully complete the program, participants must be involved for five years and must maintain sobriety. During that time, they may have restrictions on workplace setting or the type of work they are allowed to perform.

The second agency division (8 FTE) implements all licensing and certification activities. Information obtained in the licensure and certification processes is maintained in a database that serves two purposes. The database provides statistical information about licensees. It also serves as Oregon's registry of nursing aides—a requirement of the Federal Omnibus Reconciliation Act of 1987 (OBRA-87). Licensing and certification technicians inform licensees and the public about licensure procedures. Division staff also administers the training and testing program for certified nursing assistants (CNA's) and certified medication aides (CMA's).

The third division (2.5 FTE) consults with and conducts surveys of nursing education programs to ensure standards are met. Education data is collected and analyzed for use in long range planning for nursing education. An Advanced Practice Consultant reviews the credentials of nurse practitioners and certified registered nurse anesthetists for certification prescriptive privileges, provides expertise in investigations of practitioners and scope of practice issues, and designs reentry programs for advance practice nurses.

The fourth division (8 FTE) oversees day-to-day agency operations, provides agency business functions, such as human resources, accounting and budgeting; and manages the agency's information technology systems.

Revenue Sources and Relationships

Seventy-four percent or $4.8 million of the Board's $6.4 million of biennial revenue is derived from fees for examination, licensure, renewal, certification and registration of the various health professionals under the jurisdiction of the Board. The Board expects to use about $1.2 million of licensing fees from its CNA program to match an equal amount of Medicaid funds through the Senior and Disabled Services Division of the Department of Human Services (SDSD). The Medicaid funds as well as a small portion of federal Medicare funds ($250,000) are returned from SDSD to the Board as Other Funds. The Board is able to capture Medicaid and Medicare funds because OBRA-87 required states to establish a nurse aide registry and oversee standards for nursing aides who work in skilled nursing facilities that are reimbursed by both federal funding sources. A small amount of revenue ($120,000) is from the sale of lists and directories and other miscellaneous sources.

The Board increased most of its fees during the 1999-01 biennium using its administrative rule process after a thorough discussion during the 1999 Legislative Session. The fees were increased to cover rising costs and to allow for sufficient cash flow and ending balance. The Board does not expect to establish or increase fees during the 2001-03 biennium.

Budget Environment and Performance Measures

The agency's budget is primarily influenced by three factors: (1) the number of licensees, complaints, and background checks, and participants in the Nurse Monitoring program; (2) the complexity and breadth of its regulatory activities; and (3) demands for new ways for the agency to deliver services to its customers. The Board licenses over 57,000 health professionals (39,200 registered and licensed practical nurses, 16,000 certified nursing assistants, 1,650 nurse practitioners, and 260 certified registered nurse anesthetists.) Approximately 38,000 applications are processed each year. Over the last several years, the number of professional nurses (registered, licensed practical, nurse anesthetists, and nurse practitioners) has risen slightly (1 to 2% each year). The number of CNA's has fluctuated—most recently the number has declined, as CNA qualifications have become higher. On average 600-700 formal complaints are investigated, 1,000-1,500 informal inquiries are conducted, and 32,000 LEDS checks are performed each year. The Nurse Monitoring program currently has 246 participants.

In Oregon and across the nation, there is concern about shortages of nurses. The Board notes that as more lucrative employment opportunities outside the field of nursing have increased, the number of younger people entering the profession has declined. Over the next decade, the largest cohort of nurses within the existing nursing workforce will begin to retire. At the same time, demand for nurses is increasing as the population grows older and needs more medical care. A greater emphasis through managed care upon primary and preventative care is also raising demand. The Board participates in statewide workshops and discussions regarding the shortage program and possible solutions. Some stakeholders support lowering nursing standards or the development of interstate compacts. Under "mutual recognition," a nurse would hold a license in one state and be able to practice with that license in any state that has signed the interstate compact. While the Board does not plan on allowing the urgency of the shortage affect minimum standards for nursing care, it is currently evaluating its laws and regulations to see whether any of them present unnecessary barriers of entry to the nursing profession.

In November 1999, the Institute of Medicine published a report on patient safety and medical errors. This report cites two studies, one conducted in Colorado and Utah and the other in New York, that imply that between 44,000 and 98,000 Americans die each year as a result of medical errors. In response, the Board is working with stakeholders to improve the clarity of scopes of practice for each type of nursing license. In addition, the agency is continuing to wrestle with the issue of what licensing requirements (e.g. education, job experience, or periodically re-testing licensees) will most likely lead to ongoing professional competency. The Board of Nursing and the Board of Medical Examiners have also been accepted as part of a study by the national Citizens Advocacy Center in Washington, DC. This study will look at how regulatory agencies and health care organizations can work together to reduce medical errors.

A 1998 survey of the agency's licensees indicated that over 40% of them would use an Internet based process to apply for and renew their nursing licenses. In addition, as nursing shortages become more of a concern, a number of stakeholders want to access non-confidential data to assess the shortage problem. These customer demands are requiring the Board to rethink its business processes and may have a budgetary impact in terms of the potential cost and savings of new technology.

The agency uses a number of measures to gauge performance. These include:

- The percentage of those passing state nursing exams – 85% is the goal, which approximates the national rate. The agency reports that 92.6% of graduates pass their RN tests, and 98.3% pass their LPN tests.
- The percentage of nursing programs in compliance with state standards – 100% is both the goal and the current achievement level.
- The average number of days to renew a nursing license or apply for a new license. The agency has several goals depending upon the type of license application or renewal. The data generally indicate that Board staff is making progress toward the goals. The time required to issue a license after receiving a fully completed application has dropped over the last three years.
- The percentage of complaints resolved through contested case hearings – less than 1% is the target. The agency currently meets this goal.
- The percentage of those successfully participating in the Nurse Monitoring program – 80% is the target. Currently, 81.1% are successfully completing the program. The program has admitted about 500 persons since its inception in 1992.
- The percentage of positive LEDS checks – the goal is 1% for license renewals and 5% for new applications. The available data indicate that about 2% for all licensing applicants have a criminal record on LEDS. The Board believes it can lower the rate of positive checks through education of persons in nursing programs (before they apply for licenses), as well as continuing to monitor the existing body of licensees.

The Board is currently reviewing and refining its performance measurement system and may change the measure or the target.

Governor's Budget

The Governor's recommended budget of $6.4 million is $0.2 million or 3.2% higher than the agency's current service level of $6.2 million. The increase is the result of four policy packages described below:

- The first package includes $60,000 to develop an examination for Certified Medication Aides. Although examinations have been given since 1995, the current test has never been evaluated to determine whether the test is psychometrically sound and legally defensible. This package would allow the Board to contract with a testing firm to evaluate and refine the existing examination.
- A second package of $50,000 would facilitate the development of electronic commerce for licensees. Ultimately, the Board would be able to offer electronic license renewals with their customer groups over the Internet. The Department of Administrative Services is the lead agency for this project and plans to develop a common entry point for all state agencies on the Internet.
- The third policy package of $33,000 would increase a half-time accountant position to full-time and upwardly reclassify the position from an Accounting Technician 1 to Accounting Technician 2.
- The fourth policy package of $58,000 would fund per diem increases for Board members. The Governor is expected to introduce legislation that would increase the allowable per diem compensation for Board members from $30 to $150. The agency asserts that recruitment of board members during the last two biennia has become more difficult. Increased compensation would hopefully assist the board to recruit and retain qualified members.

The Governor's budget assumes no fee increases during the 2001-03 biennium. The budget provides an ending balance of $650,000—about a three-month operating balance.

Board of Psychologist Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	487,864	595,519	535,773	696,078
Positions (FTE)	2.29	2.50	2.50	3.50

Program Description

The Board of Psychologist Examiners sets standards for continuing education, examination, and licensing of psychologists and psychologist associates. The Board has seven members (five psychologists and two public members) appointed by the Governor

Revenue Sources and Relationships

The Board is supported by the collection of fees for services relating to applications, examinations, licenses and license renewals. Due to a shortfall in anticipated revenue, the Board instituted, through Administrative Rule and with approval of the Department of Administrative Services, a fee increase effective October 15, 2000. The 2001 Legislative Assembly must ratify this fee increase. The proposed fee increases are as follows:

FEE NAME	CURRENT FEE	PROPOSED FEE
Application Fee	$100	$300
Oral Examination Fee	$ 75	$150
Initial License Fee	$100	$150
Annual License Renewal Fee	$175	$275
Delinquent Fees	$ 25	$200
Limited Permit Fee	$ 80	$100

If the fee increase is not approved, the Board will reduce service levels to maintain financial viability.

The Board renews licenses annually. With the proposed fee increase, revenues are anticipated to be 27.5% higher in 2001-03 than the estimates for the 1999-01 biennium. The ending balance for 2001-03 is projected to be $127,471, a reserve of 4.4 months of operating costs.

Budget Environment and Performance Measures

The Board's workload is dependent upon the number of requests for licensure and complaints in any given time period. There has been a large increase in inquiries regarding the regulation and practice of psychology and an increase in investigations of unlicensed individuals purporting to practice psychology. Because of the increasing number and complexity of complaint issues, the Board continues to have a backlog of unresolved complaints. The Board aggressively pursues all consumer complaints relating to both the unethical and unlicensed practice of psychology. The Board receives more than ten calls per month inquiring about the ethical practice of psychology in the state. This results in an average of 60 Board investigations per year.

The Board processes approximately 100 applications for initial licensure as a psychologist or psychologist associate annually. This includes verification of education, work experience, other credentials, and references. The Board is experiencing an increase in candidates who are licensed in other states and who are relocating to Oregon.

The Board identified a primary link to one benchmark; however, no other performance measures have been developed. The Board has developed a strategic plan in an effort to reach its long-term goals of continued outreach, consumer protection, and evaluation strategies.

Governor's Budget

The Governor's recommended budget of $696,078 is a 16.9% increase over 1999-01 estimated expenditures and 29.9% increase over the current service level. The current service level phases out funds the Board will no longer receive for pass-through fees for the national examination. It also phases out one-time costs for converting a database and developing a web site during 1999-01. Budget enhancements include the fee increase to restore current service levels and fund other packages, $40,605 to reclassify an administrative support position, $58,452 to increase an Investigator position from half-time to full-time and other consumer protection components, and $26,266 for increased outreach to licensees and consumers.

Public Utility Commission (PUC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	23,794,545	79,146,400	23,948,087	32,846,043
Federal Funds	155,005	281,984	292,326	292,326
Nonlimited	0	0	0	243,100,000
Total	**23,949,550**	**79,428,384**	**24,240,413**	**276,238,369**
Positions (FTE)	109.00	121.04	115.23	123.00

The three-member Public Utility Commission (PUC) regulates electric and natural gas companies as well as certain telephone and water utilities. A staff of economists, engineers, financial analysts, safety inspectors, administrative law judges, compliance specialists and others supports the Commission in carrying out its responsibilities. Under House Bill 3615 from the 1999 legislative session, the Governor appoints the Commission Chair.

PUC – Utility Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	9,804,316	61,760,847	13,044,171	14,156,012
Federal Funds	155,005	281,984	292,326	292,326
Nonlimited	0	0	0	243,100,000
Total	**9,959,321**	**62,042,831**	**13,336,497**	**257,548,338**
Positions (FTE)	65.00	67.50	67.00	70.00

Program Description

The Utility Program is intended to assure that every utility under its jurisdiction furnishes adequate and safe service. In addition, for investor-owned utilities, the PUC ensures these services are provided at fair and reasonable rates, while allowing utilities the opportunity to earn a reasonable rate of return. The program also implements state policy regarding utility industry restructuring and competition.

Revenue Sources and Relationships

Other Funds are derived primarily from fees assessed on regulated utilities. For natural gas and water utilities, an assessment is made on gross operating revenues. For telecommunications providers, House Bill 2578 from the 1999 legislative session changed the funding base to include all providers but narrowed the type of revenues to gross intrastate retail sales, excluding wholesale revenues. The PUC estimates 2001-03 fee revenue of $6 million from telecommunications providers, $2.9 million from natural gas utilities, and $36,000 from water companies. Because of industry changes and competition among utilities, assessed revenues are not expected to increase over the next five years. Therefore, the PUC expects to continue the assessment at the statutory maximum of 25/100's of 1%, which has been in effect since early 1997.

The 1997 Legislature changed the basis for calculating assessments on electric companies from per dollar of gross operating revenues to per kilowatt-hour of electricity delivered. The change, effective January 1, 1999, limits the rate to an average of 0.18 mil ($0.00018) per kilowatt-hour delivered. The PUC intends to set the level within this limitation to ensure the electric industry is paying approximately the same total fees as in prior years. Anticipated revenues for 2001-03 are $11 million.

Senate Bill 622, from the 1999 legislative session, provides for the establishment of a Universal Service Fund to which all telecommunications providers in Oregon contribute to compensate those serving high-cost areas. The Commission is forecasting almost $243.1 million for the Fund during 2001-03, of which 99.7% will be passed through to providers. The remaining funds will be used to cover the agency's costs of administering the program. Pass-through amounts are reflected as non-limited funds in the agency's budget. Senate Bill 1149, also from the 1999 legislative session, allows the PUC to use funding from a public purpose charge on electric utilities to pay for certain of its activities required by the legislation. Currently, the agency expects to use approximately $200,000 to cover its costs related to Senate Bill 1149.

Federal Funds are received from the U.S. Department of Transportation's Gas Pipeline Safety Program to enforce federal pipeline safety regulations. These funds cover approximately 40% of the PUC's gas safety program costs.

Budget Environment and Performance Measures

The PUC's primary emphasis is its shift from utility monopoly regulation to service protection in an increasingly competitive environment in both the telecommunications and electric industries. The PUC's key challenges are to promote competition while incumbent utilities still exercise considerable market power and to ensure universal availability of affordable services. Historically, electric industry restructuring and competition issues in both industries have increased the demands on staff.

Senate Bills 622 and 1149 from the 1999 legislative session continue the shift to a competitive environment for utilities. Senate Bill 622 allows telecommunications carriers to elect price cap regulation versus rate-of-return regulation and establishes prohibited acts by telecommunications providers. Currently, Qwest (previously US WEST Communications), Oregon's largest telecommunications provider, is regulated under Senate Bill 622. Senate Bill 1149 allows, under certain conditions, Oregon's two largest electric utilities to offer certain consumers direct access to or portfolio options in competitive electricity markets. Additional responsibilities under both of these bills will increase the PUC's workload. Although the recent increases in energy costs reportedly have prompted Oregon businesses to seek delay of electric industry deregulation, it is unlikely this would lessen the workload on the PUC staff since the proposed delay involves a complicated accounting process requiring energy providers to issue credits to power users. Staff would be involved in this process and workload would likely increase.

The federal Telecommunications Act of 1996, which encourages local exchange competition, affects all aspects of the telecommunications industry. The Federal Communications Commission has not yet adopted all of its rules for implementing the Act, but the Act requires states to implement the provisions. The full effect of the federal requirements is not known.

The PUC monitors its performance by collecting and analyzing data in several areas, recognizing that factors beyond the PUC's control can affect these data:

- Comparison of the Consumer Price Index (CPI) to the increase in average investor-owned utility prices - The PUC compares these two indexes as an indicator of its success in ensuring utility rates are reasonable and affordable. Using 1992 as a base year, as of December 1999, the CPI was 118.6 and the utility price index was 107.6.
- Net benefit of regulation – The PUC monitors cumulative savings as a result of rate reviews, deducts the cost of regulation, and divides by the number of agency FTE to determine the net benefit of regulation by FTE. Savings are defined as the difference between the final Commission-ordered rates and the amount originally requested by the utility. In December 1992, the net benefit was calculated at $3.14 million per FTE; in December 1999, $9.42 million per FTE.
- Average residential price of electricity in Oregon versus the national average – This measure demonstrates the relative affordability of electricity in Oregon. The PUC has set as a goal for 2002 that Oregon rates be no more than 70% of the national average. The average was 69.4% in 1997 and 72.6% in 1999.
- Personal injuries related to electric operations – The objective for this measure, which the PUC uses to demonstrate the effectiveness of its safety program, is zero-tolerance. The accident data from 1992 (1.0 accident per 100,000 customers) through 1999 (0.58 accidents per 100,000 customers) show a downward trend in the number of deaths and injuries reported by electric utilities.
- Personal injuries related to natural gas operations – Again, this is a zero-tolerance measure. Since 1992, the natural gas industry has reported no injury due to fire or explosion resulting in hospitalization or death.

Governor's Budget

The Governor's recommended budget adds the following:

- $653,000 Other Funds to implement Senate Bill 622, primarily relating to outside services for administering and auditing the Oregon Universal Service Fund;
- $330,653 Other Funds and 2 FTE to implement Senate Bill 1149 regarding electric industry restructuring;
- $136,525 Other Funds and 1 FTE for review of mergers of Oregon telecommunications utilities (these reviews are contingent upon passage of one of the agency's legislative concepts);
- $14,543 for position reclassifications in the Utility Program to reflect current duties of these positions; and

- a reduction of $22,880 Other Funds for Attorney General costs. This reduction is based on a legislative concept the agency plans to introduce to eliminate circuit court review of Commission orders.

The budget also adds $243.1 million in Nonlimited Funds, 99.7% of which are distributed from the Oregon Universal Service Fund to telecommunications providers serving high-cost areas. The remaining $653,000 is transferred to the Commission to cover its costs as described previously. Without regard to payments to telecommunications providers, the Governor's recommended budget is an 8.3% increase over the current service level budget. It is a 20% increase over 1999-01 estimated expenditures, not including provider payments of $50 million reflected as Other Funds expenditures in 1999-01.

PUC – Residential Service Protection Fund

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	7,066,763	9,534,934	2,400,866	9,902,258
Positions (FTE)	6.00	5.00	1.23	5.00

Program Description

The Residential Service Protection Fund (RSPF) programs provide telecommunications services for the disabled, including the hearing- and speech-impaired, and low-income individuals. The RSPF has three separate components: the Oregon Telephone Assistance Program (OTAP) subsidizes local telephone service rates to eligible low-income Oregonians by providing a $10.50 to $11.35 monthly reduction for basic telephone service; the Telecommunication Devices Access Program (TDAP) provides special communication devices to deaf, hearing and/or speech impaired, or others with disabilities which prevent them from using telephones; and the Oregon Telecommunications Relay Service (OTRS) 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 nonimpaired individuals. Current law sunsets the RSPF on December 31, 2001.

Revenue Sources and Relationships

The Other Funds supporting all three program components are derived from a monthly surcharge levied against local telephone access lines. By law, the PUC can levy a surcharge of up to 35 cents monthly. The current surcharge is 10 cents and the PUC, under current assumptions, expects this amount to remain in effect for the 2001-03 biennium. The Commission is forecasting revenues of $12.2 million for 2001-03, including $350,000 in interest income earned on the program's reserves.

Budget Environment and Performance Measures

The increase in population has affected the use of the relay program by increasing calls from 68,000 per month in the 1995-97 biennium to more than 78,000 per month during 1999. In 2000, call volume has stabilized.

In developing the Governor's recommended budget, the agency anticipated an increase in the contract for relay services from a 1999-01 cost of $1.04 per minute to a cost of $1.17 ½ per minute for the 2001-03 biennium. This increase reflects the costs of new mandates from the Federal Communications Commission (FCC). In February 2000 the FCC issued Order 00-56, which mandates additional services for the OTRS, including speech-to-speech services and an increase in transmission time to 60 wpm. Many of these features are required by March 1, 2001. The costs of some of these new services are not fully known; therefore, the cost per minute may be higher than anticipated in the Governor's budget.

The PUC has established the following performance measures for the RSPF:

- Percentage of food stamp recipients receiving OTAP benefits – All food stamp recipients are eligible for OTAP. As of 1999, 23% of recipients were receiving OTAP benefits. The PUC has set a goal of 25% for 2003.
- Equipment distribution to senior citizens, particularly deaf and hard-of-hearing individuals – The PUC's goal is to make this distribution more proportionate to population figures. Currently, 13% of TDAP participants are 65 years of age and older. However, 69% of the deaf and hard-of-hearing population are in this age group. The PUC's goal is to provide 22% of this cohort with assistive devices by 2003.

Governor's Budget

The Governor's recommended budget continues the program through the 2001-03 biennium, contingent upon passage of legislation to be introduced by the agency to extend the sunset date to January 1, 2010. The policy package for the extension adds $7,196,136 Other Funds and 3.77 FTE. Additionally, the budget includes

$305,256 Other Funds for Federal Communications Commission mandates required to be in place in 2001. The recommended budget is a 3.9% increase over 1999-01 estimated expenditures. It is a 312% increase over the current service level budget, which reflects the sunset of the program under current law.

PUC – Policy and Administration Program

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	6,923,466	7,850,619	8,503,050	8,787,773
Positions (FTE)	38.00	48.54	47.00	48.00

Program Description

This program includes the Commission Services Division, the Administrative Hearings Division, and the Central Services Division. The Commission Services Division provides direct support to the three commissioners. The Administrative Hearings Division conducts hearings and provides recommendations to the Commission for cases involving utilities, industrial customers, consumer groups and competitors. The Central Services Division provides personnel, budget, accounting and central support to the agency. This division also includes the Consumer Services Section, which responds to customer complaints about the activities of regulated utility companies.

Revenue Sources and Relationships

Other Funds are derived from cost allocations to the operating programs. The program also includes revenues of $13,000 from the Land Use Board of Appeals for administrative support to this agency, which is housed in the PUC building.

Budget Environment and Performance Measures

Over several previous biennia, as competitors have entered previously monopolistic markets, the PUC has had to resolve a growing number of increasingly complex disputes. For the period from 1994 to 1998, inquiries to the Consumer Services Section increased 133% and consumer complaints increased 182 percent.

The agency has been able to reverse these increases, in part through process improvements such as an automated call distributing system, PUC Website and e-mail referral for consumers, as well as development of computerized consumer information packets. Of the 17,364 inquiries in 1998, most required staff follow-up. As a result the process improvements, of the estimated 26,242 inquiries in 2000, approximately 9,758 inquiries will require follow-up by staff. For consumer complaints, the agency projects a 12% decrease in 2000 from 1998 levels (from 7,424 to 6,506). But, although the number of complaints has leveled off and inquiries requiring follow-up have decreased, they continue to grow in complexity. The 1999 Legislature addressed workload issues through an increase in permanent staff, and the PUC currently is able to manage its workload in the Consumer Services Section. The Administrative Hearings Section also continues to experience an increase in the complexity of its cases.

The PUC is in the process of refining its performance measures for this program.

Governor's Budget

The Governor's budget is an 11.9% increase over 1999-01 estimated expenditures and a 3.3% increase over the current service level budget. The budget includes:

- $243,074 Other Funds and 1 FTE for a temporary administrative law judge and a permanent Administrative Specialist 1 position to address workload issues in the Administrative Hearings Section; and
- $41,649 Other Funds for reclassification of four positions in the program to reflect current duties.

Real Estate Agency – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	4,888,417	4,971,596	5,778,611	5,760,452
Positions (FTE)	32.00	31.75	31.00	31.00

Program Description

The Real Estate Agency is responsible for the licensing, education and enforcement of Oregon's real estate laws applicable to brokers, salespersons, property managers, and real estate marketing organizations; licensing and regulation of escrow agents; and registration and public report issuance for campground contract brokers, subdivisions, timeshares and condominium developments. The agency approves courses and develops curriculum requirements for its licensees, administers real estate examinations, audits licensees, and investigates complaints made concerning its licensees and regulated activities. The Real Estate Commissioner, who is appointed by the Governor, administers the agency. The agency supports the Real Estate Board, whose seven industry members and two public members are appointed by the Governor.

Revenue Sources and Relationships

The Real Estate Agency is funded entirely with Other Funds consisting of licensing and registration fees and renewals; charges for examinations; the sale of publications and educational seminars; and other services. Real estate licensing, examination and education activities produce almost 96% of the agency's total revenues. Activities relating to licensing and auditing escrow agencies contribute just under 2% of total revenue. Activities relating to registration and filings for campgrounds, subdivisions, timeshares and condominium developments contribute the remaining 2.4 percent.

Due to a decline in licensees, the agency estimates revenues in 1999-01 will be $5.4 million, 10.5% lower than 1997-99 actual revenues of $6 million. Revenues for 2001-03 will continue to decline and are projected to be $4.9 million, 9.2% lower than 1999-01 estimated revenue. These revenue estimates are partially based on the economic forecast, the cyclical nature of the real estate / housing market, a two-year license process, and past experience of the Agency.

Budget Environment and Performance Measures

The budget is driven by the number of licensees, which, in turn, expands or contracts with the state's economy and the real estate / housing market. Current factors affecting the number of licensees include the following:

- Those holding real estate licenses are aging, and many licensees are approaching retirement age.
- Fewer young people are entering the real estate business because of the availability of other well paying jobs with security and benefits that real estate firms may not offer.
- The industry has become more complex and competitive.
- Use of the Internet for advertising property for sale, which affects the use of real estate personnel by the public.
- Use of technology - such as cellular phones, personal computers, and portable fax machines by real estate personnel - which increases the number of real estate agents working from their homes and cars rather than a central office.
- A trend toward franchising, mergers and mega-offices.
- Increases in Oregon's home prices and interest rates leading to declining affordability.

Due to these factors, the Agency anticipates a continuing decline in the number of licensees, offices and applicants. Since 1995, the number of licensees has dropped 22.3% from 24,680 to 19,168 (as of July 2000).

The Agency developed performance measures as a means of measuring program results. Baseline data for some measures was non-existent. As a result, both baseline and target numbers may be periodically adjusted as new data is developed. Due to the small size of the agency, wide fluctuations in measurement readings have been created as personnel have been moved from one priority activity to another.

Six output (efficiency of staff) and three outcome (effectiveness of Agency) measures were developed.

Efficiency Measures:

- Average number of license and examination transactions processed per FTE during the quarter, target of 400 / FTE, 1999-01 biennium-to-date 362 / FTE.
- Average labor cost per licensing and examination transaction processed during the quarter, target of $9.00 / transaction, 1999-01 biennium-to-date $12.21 / transaction.
- Average number of complaint files investigated and closed per FTE during the quarter, target of 7.7 / FTE, 1999-01 biennium-to-date 4.1 / FTE.
- Average labor cost of each complaint investigated and closed during the quarter, target of $900 / investigation, 1999-01 biennium-to-date $1,318 / investigation.
- Average number of audits completed per FTE during the quarter, target of 30, 1999-01 biennium-to-date 24.2.
- Average labor cost of each audit completed during the quarter, target of $200 / audit, 1999-01 biennium-to-date $324.02.

Effectiveness Measures:

- Customer satisfaction or effectiveness of the Agency's service to its customers, as measured by survey questionnaires during the quarter,
  target of 96% positive respondents, 1999-01 biennium-to-date 96% positive respondents.
- Responsiveness of the Agency in investigating and closing complaint files during the quarter by measuring the average number of days between the opening and closing of a complaint file,
  target of 100 days, 1999-01 biennium-to-date 98 days.
- Number of office audits completed during the quarter,
  target of 75 / quarter, 1999-01 biennium-to-date 90 / quarter.

Governor's Budget

The Governor's recommended budget is a 15.9% increase over 1999-01 estimated expenditures, and is essentially equal to the current service level. Additional funds are provided for anticipated increased costs for contracting with the Hearings Officer Panel to conduct administrative hearings in accordance to HB 2525, adopted by the 1999 Legislative Assembly. The Governor's budget anticipates an ending balance that equals nearly seven months of expenditures.

Spinal Cord Injury Research Board – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	0	0	1
Other Funds	0	1	1	3,000,000
Total	**0**	**1**	**1**	**3,000,001**
Positions (FTE)	0.00	0.00	0.00	0.25

Program Description

The 1999 Legislative Assembly established the Spinal Cord Injury Research Board through the passage of SB 540. The Board consists of eleven members appointed by the Governor and confirmed by the Senate. Board members must be "well informed on the issues relating to spinal cord injuries and related disabilities." The Board's mission is to promote the performance of basic research in Oregon relating to regeneration of damage resulting from traumatic spinal cord injury. To support its mission, the Board expects to solicit and review applications from public and private organizations for grants from the Board's research fund to conduct research that focuses on the treatment and cure of spinal cord injury. SB 540 requires the Board to provide the Governor and the Legislative Assembly with a biennial report at the beginning of each legislative session on the Board's activities.

Revenue Sources and Relationships

SB 540 created a Spinal Cord Injury Research Fund within the State Treasury. The fund may consist of appropriations by the Legislative Assembly and funds obtained from gifts or grants. Although the Governor's Budget anticipates $3 million in revenue from theses sources, to date none have been received.

Budget Environment and Performance Measures

The Spinal Cord Injury Information Network at the University of Alabama, Birmingham, estimates that there are about 10,000 new cases of spinal cord injury each year. They estimate that between 183,000 and 230,000 Americans have a spinal cord injury (SCI). SCI primarily affects young adults. About 80% of those with SCI are male. The primary causes of SCI are motor vehicle accidents, acts of violence (primarily gunshot wounds), falls, and recreational sporting activities. Since 1990, the proportions of these SCI causes have shifted somewhat. The proportions of injuries due to vehicle accidents and sporting activities have declined, while the proportion of injuries resulting from violence have increased.

Costs of rehabilitation and subsequent care are high. The SCI Information Network estimates, for example, that first year costs for a person with significant levels of tetraplegia or quadriplegia are about $550,000 and for each subsequent year are about $98,000. Advocates argue that research investments could eventually reduce these costs substantially. A number of privately funded research centers and programs exist throughout the United States. In addition, several federal agencies, including the National Institute of Health, the National Science Foundation, the Centers for Disease Control, and the National Institute on Disability and Rehabilitation Research, offer various kinds of research funds. The National Institute of Health expects to grant about $70.5 million to researchers during federal fiscal year 2001. Advocates in Oregon believe that limited research and development investment comes from the pharmaceutical industry because the market for any resultant medication would be relatively small. Several states provide general fund for SCI research and a number provide funding for research and or services for persons with SCI through motor vehicle citations. In Oregon, research that investigates neural regeneration is being conducted at the Department of Veterans Affairs Medical Center, Oregon Health Sciences University, and the University of Oregon.

Because the agency is new, it has not yet established performance measures.

Governor's Budget

The Governor's budget includes $3 million of Other Funds expenditure limitation. Within the limitation, $57,000 would be used to pay a part-time executive director (0.25 FTE) and to provide for board member per diems, travel expenses, office supplies, and other services and supplies. The remaining $2.9 million would be used to provide research grants to private or public researchers in Oregon to develop new therapies to restore neurological functioning in individuals with spinal cord injuries. The Other Funds expenditure limitation included in the Governor's budget is, at this time, empty limitation. That is, the Board does not have firm commitments from individual donors or private foundations to provide revenue to fund the agency's budget.

Board of Tax Service Examiners – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	688,858	762,185	799,100	902,036
Positions (FTE)	4.00	4.00	4.00	5.00

Program Description

The Board of Tax Service Examiners is a seven-member citizen board that protects consumers by ensuring Oregon tax practitioners are competent and ethical in their professional activities. It accomplishes this by licensing and overseeing tax preparers, tax consultants, and tax businesses. It develops initial competency examinations and monitors required continuing education programs for tax preparers. It is responsible for the investigation of all complaints filed concerning personal tax return services by licensees and unlicensed persons and takes disciplinary action when appropriate. A four-person staff administers Board programs.

Revenue Sources and Relationships

The Board's Other Funds come principally from annual licensing and business registration fees. Fees are also charged for the administration of licensing examinations. Fees are established by rule but are limited by statute. Current biennium licensing fees are $55 for tax preparers and $65 for tax consultants per year. The fees charged for administration of the licensing examinations are $40 for tax preparers and $70 for tax consultants. The Board is introducing legislation which would raise tax consultant licensing fees by $10 to $75, raise business registration fees by $20 to $95 and remove the statutory limitations on all board related fees. Fees would be established by the administrative rule process which includes public comment and subsequent ratification by the Legislature. With this legislation and proposed budget packages, the Board expects to collect $583,550 in Licenses and Fees, $155,390 from Business Registrations and Fees, $92,510 from Examinations, $50,000 from Fines and Penalties, and $47,282 in other miscellaneous revenue for the 2001-2003 biennium.

Budget Environment and Performance Measures

The number of professionally prepared income tax returns is expected to increase due to the growth in Oregon's population, the strong economy, continued low unemployment, the complexity of the tax code, and heightened consumer awareness of services. The Board expects the number of tax practitioners and tax businesses to grow accordingly. Currently, the Board regulates about 2,000 tax consultants, 1,700 tax preparers, and about 1,500 tax businesses per year. The number and severity of complaints filed with the Board has also increased substantially over the past biennium.

The Board has developed several performance measures that will assist in monitoring critical areas in the years ahead. The Board will begin to track the average initial response time to consumer complaints and has a goal of responding within 24 hours on average by 2003. Because widespread damage to consumers can be done in a short period of time during tax season, it is critical that the Board is rapid in responding to complaints. The Board also measures the number of federal audits of Oregon tax returns as compared with other states. Currently, 48 states have more federal audits of individual tax returns than Oregon. The audit information gathered from the Oregon Department of Revenue and the Internal Revenue Service will help to measure the competency of existing practitioners and allow the Board to educate licensees in areas of concern as they arise. Following the audit information and errors made in tax preparation will also assist in reviewing educational needs and requirements. The number of required continuing education hours taken by licensees will be monitored, with the goal to encourage hours beyond the required 30 hours per year. The total number of Oregon tax returns prepared per practitioner is also measured. This measure has increased 54% from 1996-2000 as the growth in the number of practitioners has not kept up with the demand for tax services. The Board is working to remove barriers from entering the profession, creating occupational awareness through working with schools, and working to retain existing practitioners. The Board's goal is to achieve a 18% reduction in this measure by 2003.

Governor's Budget

The Governor's budget for 2001-03 represents a 12.4% increase over the current service level. The budget includes an increase of $78,434 to fund a bilingual junior investigator for compliance enforcement and investigation. The budget also includes $9,552 for Attorney General services, and $14,950 for Central Hearings Panel expenses to cover additional contested cases. The proposed fee increases on licenses and registrations, recommended by the Governor, are projected to add $108,000 in revenue for 2001-2003. With these increases, revenues are projected to adequately fund the Board's operating expenses, expenditure increases, and provide an estimated ending balance of $78,570 – the equivalent of just over two months operating expenses.

ADMINISTRATION

Department of Administrative Services (DAS) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,468,677	6,204,763	5,803,251	6,803,544
Other Funds	157,200,580	167,344,822	159,056,245	249,066,183
Federal Funds	0	1,002,611	0	250,653
Nonlimited	202,850,308	219,625,468	234,933,554	247,266,817
Nonlimited Debt Service	58,636,921	27,813,949	27,595,536	33,727,098
Total	**423,156,486**	**421,991,613**	**427,388,586**	**537,114,295**
Positions (FTE)	799.36	851.65	822.56	955.48

The Department of Administrative Services (DAS) is the central administrative agency that supports other agencies of state government and coordinates statewide services. The Department has numerous divisions responsible for a variety of disparate functions. It operates centrally located motor pools, operates and maintains facilities, and provides printing, information technology consultation, and computer services. The Department also distributes federal, lottery, and state funds to cities, counties, and other state agencies. It also collects and distributes mass transit assessments.

Revenue Sources and Relationships

The Department's operating revenue comes primarily from fees charged for services provided to state agencies and from the statewide assessment. The Department establishes rates for these direct services and charges agencies based on how much of the service they use. It also provides indirect services to state agencies, such as the services provided by the Director's Office, Budget and Management Division, and Human Resource Services Division. Because a unit rate and usage volume cannot be determined directly, DAS recovers the cost of these services through a "statewide assessment," which is included in all state agencies' budgets as a line item expense titled "State Government Service Charges." Although services that are supported by the assessment cannot be directly measured and identified to each agency receiving the service, the Department makes an effort to allocate the assessment equitably.

Governor's Budget

The Governor's recommended budget is presented here by the Department's various programs and offices.

DAS – Office of the Director

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	320,093	294,379	316,417	247,009
Other Funds	1,973,739	4,292,106	11,329,745	14,214,092
Total	**2,293,832**	**4,586,485**	**11,646,162**	**14,461,101**
Positions (FTE)	13.58	24.50	71.08	89.08

Program Description

The Director is responsible for managing and coordinating the policies, programs, and services of the various divisions within the Department. Also, as head of state government's central administrative agency, the Director is responsible for coordinating policy among the various state agencies and setting guidelines for developing and executing the Governor's budget.

The Office of the Director has changed dramatically since passage of its 1999-01 budget. The Department has been reorganized with an eye toward strengthening internal management of the Department while enabling the Department to set standards for, and monitor activities of state agencies. The Department's Internal Service Division was eliminated and its personnel and personnel from the various divisions were transferred into new operating units of the Office of the Director. Also, five positions (4.08 FTE) were transferred to the Office with the intent that the positions would be eliminated. The expenditure limitation associated with the positions is used to fund position reclassifications deemed necessary for purposes of the reorganization. Four of these positions (3.08 FTE) have not formally been eliminated and remain in the budget request although they are not allocated to any of the units of the Office.

The budget request of the Office of the Director now has the following units:

- ***Agency Administration*** (7 FTE) includes the Director, Deputy Director, Director for Operations, and support staff.
- ***Office of Economic Analysis*** (5.50 FTE) produces the Oregon Economic and Revenue Forecast, Criminal Justice Population Forecast, and the Highway Cost Allocation Study.
- ***Internal Audits*** (3 FTE) is responsible for conducting internal audits.
- ***Personnel/Training Office*** (9 FTE) is responsible for departmental human resource issues.
- ***Office of Business Administration*** (40.50 FTE) is responsible for departmental budgeting, payroll, purchasing, and accounting.
- ***Office of Information Technology*** (19 FTE) is responsible for departmental computer support and information technology management.
- ***Government Affairs and External Relations*** (2 FTE) is responsible for legislative coordination and communication.

Revenue Sources and Relationships

The General Fund supports the Prison Population Forecast. The Department of Transportation provides funds for the Highway Cost Allocation Study ($452,000). A portion of the Office is supported through assessment of state agencies ($3.5 million). The remainder of the Office's revenue comes from service charges to the department's various divisions ($13.2 million).

Budget Environment and Performance Measurements

The Office of the Director is purely an administrative office within an administrative agency. Its budget is based upon the amount of support needed within the department and within state government. The Office of the Director wants to ensure that the Department of Administrative Services is a management model for all state agencies. Performance measurement will require evaluation of the Department's management of its resources and its ability to improve agency management throughout state government.

Governor's Budget

The Governor's Budget reflects the Department's reorganization efforts and provides one substantial enhancement to the Office of the Director. The enhancement provides 18 additional staff (18 FTE) and reclassifies one position to strengthen the internal management structure of the Department. Increased limitation of $2,667,206 would ultimately come from fees and assessments to other state agencies.

DAS – Budget and Management Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	4,859,155	6,813,334	4,658,804	8,781,535
Nonlimited Debt Service	0	206,785	410,150	1,789,634
Total	**4,859,155**	**7,020,119**	**5,068,954**	**10,571,169**
Positions (FTE)	30.42	35.50	24.50	34.50

Program Description

The Budget and Management Division is responsible for reviewing agency budget requests and developing and tracking the Governor's budget through the legislative process. The Division still relies on the outdated Automated Budget Information System (ABIS) for technical support. However, during this 1999-01 budget process, the Division pilot tested and began development of a new budget system that is expected to be operational for the 2003-05 budget process. Funding of this Oregon Budget Information Tracking System (ORBITS) project is provided though certificates of participation (COPs).

Revenue Sources and Relationships

The Budget and Management Division is funded through assessments of state agencies ($6.6 million). An additional $3.1 million will be provided from COPs. The balance of the Division's planned expenditures will be funded with carryforward cash balance from COPs issued for the ORBITS project.

Budget Environment and Performance Measurements

The Division's budget relies entirely on the ability of agencies to pay their assessments. Department management must ensure that the Division does its job properly, using only resources necessary to accomplish the work. Agencies understandably chafe at paying for a Division whose main responsibility is to review agency operations, analyze budget and Emergency Board requests, and make recommendations on those requests. Division performance is best measured by its ability to carry out its responsibilities in an objective and professional manner. That assessment is best left to the Governor, Director of the Department of Administrative Services, and to a lesser extent, the Legislature.

Governor's Budget

The Governor's recommended budget reflects the transfer of one position (1 FTE) to the Office of the Director as part of the Department's reorganization. The resulting budget for continuing operations is for current service level. Included as an enhancement is continuation of the ORBITS project with 10 FTE at a cost of $4 million and debt service on COPs ($1.5 million).

DAS – State Controllers Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	15,138,610	10,782,779	7,656,943	7,862,925
Nonlimited	270,789	9,844,621	11,581,700	11,581,700
Nonlimited Debt Service	4,960,952	5,323,497	5,319,175	5,319,175
Total	**20,370,351**	**25,950,897**	**24,557,818**	**24,763,800**
Positions (FTE)	101.67	73.84	48.00	49.00

Program Description

The primary role of the State Controller's Division is to provide technical accounting management and financial reporting services to state agencies, including policies and controls, through a financial system that allows statewide accounting, financial reporting, and payroll activities. The Division has completed the implementation of the Statewide Financial Management System (SFMS) for all state agencies. SFMS was started in the 1991-93 biennium, and the final agencies went on this new system during the 1997-99 biennium. The Division provides training, advice, and support to accounting and purchasing system users of the new SFMS.

Revenue Sources and Relationships

The Division receives its revenue from assessments of state agencies ($18.8 million) and from direct charges for processing warrants and payroll checks/stubs ($4.8 million). Assessments are based on analyses of services provided. The assessment and rates are increased for 2001-03, primarily because of the full biennium effect of salary adjustments provided during the 1999-01 biennium, increased computer processing and treasury costs, and the need to maintain an adequate cash reserve. The 1999-01 rates had been held down, in part, by using the Division's carryforward cash balance.

Budget Environment and Performance Measurements

As an administrative support service, the Division measures its performance by its ability to accomplish its work in a cost effective manner with a high degree of accuracy. The Division believes that its ability to process state payroll, manage the state's financial management system, support desktop access to financial data through its data warehouse, and deliver financial reporting services evidences that it is meeting desired performance standards.

Governor's Budget

The 1999-01 estimated costs include 28.95 FTE that were transferred in as part of the Department's reorganization. The Governor's recommended budget reflects additional transfers of 24.50 FTE out of the Controller's Division to the Office of the Director. The net result is a current service level budget with one enhancement. It reclassifies four positions as the result of a classification review by the Human Resource Services Division and adds one position (1 FTE) to improve support of the statewide collection of delinquent and liquidated accounts. The enhancement adds $205,982 additional expenditure limitation for the Division. Funding is provided through the statewide assessment.

DAS – Information Resources Management Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	29,165,649	39,247,029	36,235,326	51,584,965
Nonlimited	53,350,579	61,594,993	69,982,290	79,779,518
Nonlimited Debt Service	2,434,899	811,555	404,875	1,337,752
Total	**84,951,127**	**101,653,577**	**106,622,491**	**132,702,235**
Positions (FTE)	131.29	162.87	142.00	176.00

Program Description

The Division, which encompasses computer and information services, telecommunications, and video teleconferencing, is responsible for central review and coordination of the acquisition by state agencies of all major telecommunication and information technology systems including hardware and software.
The Division has five separate sections:

- ***Corporate Services and Administration*** provides administrative support.
- ***Strategic Planning and Review*** reviews state agency information technology plans, projects, hardware and software acquisition, and consultant contracts.
- ***Application Service Providers*** provide systems integration for electronic commerce, the General Government Data Center, data archiving, geographic information systems, database management and other related services. It will house the Oregon Center for Electronic Commerce and Government.
- ***Enterprise Network Services*** provides voice, video, and data services. It is responsible for the State of Oregon Enterprise Network.
- ***Statewide Technical Education Program Services*** provides state employees with technical education and training.

Revenue Sources and Relationships

The Division receives a small portion of its revenues from assessments of state agencies. Agencies are assessed for the Division's role in information technology planning and review ($2.3 million) and maintenance of a centralized Geographic Information System (GIS) within the Application Service Providers section ($1.4 million). Another $3.4 million will be supplied from issuance of certificates of participation. The balance of the Division's estimated $126 million in revenues come largely from various systems usage fees. The Division has an extensive rate schedule for the myriad of services it provides to state agencies. Demand for services is heavily driven by the state's policy movement toward increased use of telecommunications in government.

Budget Environment and Performance Measurements

As state government becomes more dependent on technology for the delivery of services within and without, the role of the Division takes on additional meaning as the central information technology repository. The coming foray into conducting state government business over the Internet requires information systems security and protocols that ensure confidentiality and privacy, while ensuring that financial transactions and activity are properly safeguarded.

Governor's Budget

The Governor's recommended budget for the Division reflects a number of staffing changes resulting from departmental reorganization. Specifically, two (2 FTE) positions were transferred to Transportation, Purchasing, and Printing Services Division, three positions (3 FTE) transferred to the Office of Business Administration, and six positions (6 FTE) transferred to the Office of Information Technology. Also, four positions (3.08 FTE) were transferred to the Director's Office to be eliminated to provide funding for other position reclassifications necessitated by the reorganization . One additional FTE was transferred to the Office of the Director to provide a Government Affairs staff person for the Director. All related expenditure limitation was also transferred. The decrease in Other Funds from current service level is due principally to the personnel transfers noted and the phase-out of Y2k costs. The increase in Nonlimited costs is due to increased usage of voice/video/data transmission for state government and increased utilization of the Division's resources to provide applications services.

The Governor's recommended budget also includes some significant investments in information technology:

Description	FTE	Amount
Add 14 positions to implement the Oregon Center for Electronic Commerce and Government	14.00	$8,267,788
Add 1 Information Technology security officer (formerly limited-duration position)	1.00	$ 149,813
Add 5 positions in the General Government Data Center to enable it to host numerous large systems on UNIX, Oracle, and Windows NT platforms	5.00	$ 716,908
Add 12 positions in Systems Development and Consulting to provide development services and support for new, mission-critical projects	12.00	$6,026,902
Add 2 positions (1 formerly a limited-duration position) and reclassify another to keep up with Corporate Services workload and manage the Directory Assistance unit	2.00	$ 188,228

Funding for all of the enhancements has not yet been identified. Some can be funded from existing service charge rates and assessments. How the Oregon Center for Electronic Commerce and Government will be financed has not been decided, nor has a solution been proposed to the Legislature. A portion of the Systems Development and Consulting would be funded using $3.4 million of certificates of participation (COPs). The COPs would be repaid through development and consulting fees.

DAS – Human Resources Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	7,890,801	9,078,210	9,419,406	10,276,266
Nonlimited	433,349	666,000	694,639	694,639
Total	**8,629,521**	**9,744,210**	**10,114,045**	**10,970,905**
Positions (FTE)	49.25	53.50	51.00	57.00

Program Description

This Division provides central personnel-related services to help agencies obtain and retain a skilled workforce. Through administrative rules and policies and collective bargaining agreements, the Division defines and manages the state's human resources system based upon equal employment opportunity and a merit-based compensation system. The Division maintains the state's classification and compensation systems. It also maintains the centralized position and personnel database (PPDB), which captures position and employee information for all employees other than higher education academic staff. In addition it provides training to new board and commission members and training and consultation to state agency management on human resources issues.

Revenue Sources and Relationships

The Division's principal revenue source is from an assessment ($11.1 million) of Executive Branch state government agencies excluding the Department of Higher Education. Legislative and Judicial Branch agencies and the Lottery Commission pay a reduced assessment to use the centralized employee data base. A much smaller amount of revenue is provided from specialized training sessions and executive recruitment services ($980,000).

Budget Environment and Performance Measurements

The Division's budget is largely affected by its ability to assess other state agencies. To that extent, it must justify its budget to its Department head and more particularly the Legislature. Complaints about the amount of the assessment compared to services provided can cause a more thorough review of Division activities and performance outcomes. The Division intends to meet this challenge by ensuring that it delivers good service at a reasonable cost. Because of the unique nature of government personnel laws, rules, and regulations, it is somewhat difficult to make comparisons or develop performance measures. The Division has developed a plan to ensure that it improves its communications on human resource issues throughout state government.

Governor's Budget

The Governor's recommended budget reflects the transfer of one staff (1 FTE) and the accompanying expenditure limitation to the newly established Office of Information Technology. It also includes three program enhancements detailed here.

Description	FTE	Amount
Add 1 position to work with agencies to help students become part of Oregon's workforce	1.00	$169,404
Add 5 positions to create a new Program Audit and Review Section to ensure delegated human resource functions are carried out correctly by agencies	5.00	$594,685
Reclassify 4 positions to more accurately reflect job functions	-	$ 92,771

Funding for the increased expenditure limitation would come from assessments of state agencies.

DAS – Public Employees Benefit Board

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	2,067,386	2,378,372	2,195,922	2,270,651
Nonlimited	49,566,217	46,500,000	49,377,206	49,377,206
Total	**51,633,603**	**48,878,372**	**51,573,128**	**51,647,857**
Positions (FTE)	8.52	13.68	13.68	13.68

Program Description

The Public Employees Benefit Board started operations January 1, 1998, when the State Employee Benefits Board and the Bargaining Unit Benefits Board were abolished. The Board contracts for and administers health and dental insurance for state employees and their dependents, representing over 100,000 Oregonians. The Board also selects and administers life and disability insurance coverage for eligible state employees. A major part of the Board's responsibility is developing benefit packages to meet the needs of customers of the two previous boards and preparing benefits information and answering inquiries from employees and their dependents about coverage.

Revenue Sources and Relationships

The Board operations, like its two predecessor boards, is funded through an administrative charge (assessment) added to the employees' health insurance premiums. By law, the assessment cannot exceed 2% of monthly premiums. Currently the charge, or assessment, is 0.6% of monthly premiums. Additionally, the Board receives a portion of employee "opt-out" contributions which are placed in a stabilization fund that is used to help stabilize contribution rates and provide wellness and education activities. The Board also is reimbursed the cost of annual open enrollment activities from insurance companies. In 1999, the Board received $19.5 million when Standard Life Insurance Company changed from a mutual life insurance company to a stock life insurance company. The $19.5 is earning interest and the Board has sought a court ruling on how the funds may be used.

Budget Environment and Performance Measurements

Demand for the Board's services is fairly well defined and constant. Additional employee benefit packages that may be mandated by statute or arrived at through collective bargaining agreements can impact workload. The Nonlimited portion of the Board's budget is for open enrollment period expenses and health insurance premiums, paid to insurance carriers. In addition, the Board has a stabilization reserve which it can use to reduce the cost of employee insurance premiums, providing wellness and education activities, and to cover health plan liabilities that may arise from contractual risk-sharing agreements. Other Board operating activities are subject to expenditure limitation.

Governor's Budget

The Governor's recommended budget is essentially a current service level budget enhanced slightly to reclassify one Benefit Manager position and to pay increased rent in a non-state-owned building. It also provides additional funds for Attorney General costs based on expected need. The expenditure limitation is slightly less than 1999-01 estimated because of one-time costs that won't be incurred in 2001-03. The increase in Nonlimited budget is due to increased open enrollment costs and use of its stabilization reserve. The budget does not provide for any use of the $19.5 million from the Standard Life demutualization. Following the court proceedings, if appropriate, the Board will seek expenditure authority to comply with court directive.

DAS – Transportation, Purchasing, and Printing Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	35,364,988	38,941,687	41,729,234	44,135,400
Nonlimited	30,877,983	37,302,193	38,260,165	39,716,409
Nonlimited Debt Service	2,328,677	2,176,288	0	0
Total	**68,571,648**	**78,420,168**	**79,989,399**	**83,851,809**
Positions (FTE)	219.44	235.01	236.98	265.21

Program Description

The Transportation, Purchasing and Printing Services Division is organized into the six units with the indicated number of positions (FTE) at current service level: Administration (7 FTE); Purchasing Operations (24 FTE); State Fleet (55 FTE); State Surplus Property (12 FTE); Federal Surplus Property (10 FTE); and Publishing and Distribution (129 FTE).

The Division was formed by the merger of three separate divisions--Purchasing Division, Transportation and Distribution Division, and Printing Services Division--that existed within the former Department of General Services. The primary role of this Division is to provide cost effective central services to state agencies and local governments in the following areas: purchasing, motor pool/fleet services, printing, surplus property, and mail processing and distribution.

Revenue Sources and Relationships

Operations of the Division are entirely self-supporting. Division Administration is funded through revenue transfers from the five other operating units.

Purchasing Operations are supported through service charges (price list) of $2.7 million based on volume of transactions and number of agency positions. An additional $4.1 million is provided through other direct fees for services and purchasing training fees. During the 2001-03 biennium and beyond, Purchasing anticipates reducing the price list service charges by placing more emphasis on direct fee for service activities such as administrative fees on contracts, per hour charges for consulting and procurement services, and expanded offering of training opportunities.

The State Fleet (or Motor Pool) Operations are supported entirely upon fees for services, principally fleet rental charges. In addition, the unit charges agencies that own their own vehicles for fueling, service, and repair fees. State Fleet Operations revenues are budgeted at $35.2 million for the biennium.

State and Federal Surplus Property Operations together generate revenue from service fees. For state surplus items the fees ($2 million) are based on the value of the items sold for state agencies disposing of the surplus property. For federal surplus property the service fees ($2.2 million) are assessed of agencies acquiring the property through the Division based on the value of the federal surplus property acquired.

Publishing and Distribution anticipates revenues of $44.4 million. Of this amount, $1.4 million is through price list charges to state agencies for state inter-office mail services. It also expects revenues of $24.5 million for mail processing services, and $18.5 million from its printing services.

Budget Environment and Performance Measurements

Demand for services drives the budget of this division. Significant growth has occurred in its fleet operations, mail services, surplus property, and printing and distribution functions. State agencies have been transferring their operations to the Division and have, in turn, paid the Division for those services as needed. The Division measures its performance by its ability to deliver services to state and local agencies in a cost effective manner. It believes agencies' willingness to transfer these activities and the increased volume evidences that it is meeting that performance measure.

Governor's Budget

The Governor's recommended budget reflects structural changes in the Division's budget due to a significant reorganization within the Department. Two positions (2 FTE) have been removed from the Division's budget and transferred to the newly created Office of Business Administration (1 FTE) and Office of Information Technology (1 FTE). Also, two data center printing positions (2 FTE) were transferred from the Information

Resources Management Division to Publishing and Distribution. The expenditure limitations associated with the various positions have also been transferred. The budget contains a number of program enhancements to keep up with projected workload. They are described here.

Description	FTE	Amount
Add 8 positions and reclassify one position for Purchasing audit, oversight and workload	8.00	$814,359
Transfer production mail operations of Employment Department and copy center operations of Department of Justice (2 positions each transferred to the Division)	3.38	$315,986
Permanently establish two mini-motor pools in Portland, expand Springfield (now in Eugene) motor pool staffing when construction is complete, and address increased motor pool business in Salem by adding 6 new positions and converting 7 existing part-time positions to full-time	9.85	$680,927
Add 3 positions in Publishing and Distribution to deal with increased demand for mailing services	3.00	$187,003
Reclassify 12 positions in Publishing and Distribution to more accurately reflect job functions	-	$ 99,686
Add 3 positions to deal with increased workload in Publishing and Distribution – 2 positions for administration and management support and 1 position for warehousing	3.00	$214,276
Add 1 position to support Division management and reclassify 9 positions in Management and Executive Service as a result of a 1999 study on existing management positions in state government	1.00	$ 93,929

Funding for the increased expenditure limitation would come from established service charges and fees of the various units of the Division.

DAS – Facilities Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	21,489,530	25,306,863	25,811,822	29,009,466
Nonlimited	5,912,197	6,367,575	7,086,215	7,666,006
Nonlimited Debt Service	48,912,393	19,295,824	21,461,336	25,280,537
Total	**76,314,120**	**50,970,262**	**54,359,373**	**61,956,009**
Positions (FTE)	185.82	189.04	183.07	209.09

Program Description

The Facilities Division provides services related to facilities management, lease negotiation and supervision, project management, space planning and parking management, building operations and maintenance, and landscape maintenance for agencies occupying state-owned space. Major acquisition, construction, capital improvement, and maintenance projects are planned and managed by this Division.

Revenue Sources and Relationships

The Division is funded from a variety of sources but its major sources are the uniform rent assessed on all tenant agencies and parking fees. The uniform rent rate for office space in 2001-03 is $1.11 per square foot, an increase of $0.13 per square foot over the 1999-01 rate. Uniform rent includes a depreciation component that is deposited in a Capital Projects Account, the balances of which are used for major rehabilitation of building space, as conditions require. Newly constructed office space will pay rent at $0.10 per square foot more than other uniform rent buildings in order to provide funds to pay debt service. The Division also receives $1.5 million from assessments of state agencies on the Capitol Mall for landscaping, debt service, and general facilities coordination. Other revenue is generated from service agreements to perform maintenance and janitorial services for office buildings owned by other state agencies, managing specialized non-office facilities, and a number of other facilities related services. The Division also will exhaust the balance in the Rent Stabilization Fund – a fund established by the Legislature to help defray facilities costs. As a result, in future biennia, uniform rents will not be subsidized by the Rent Stabilization Fund.

Budget Environment and Performance Measurements

The Division owns or manages about 2.8 million square feet of mostly office space. The Division attempts to keep office facilities adequately maintained to prolong their useful lives and keep rental rates at a reasonable level. Demand for new or improved facilities has a direct impact on Division activities. The Division does not have established performance measures but strives to plan and manage major construction and improvements to achieve effective, legal, well-planned results done on time, within budget, and without surprises.

Governor's Budget

The Governor's recommended budget reflects structural changes in the Division's budget due to a significant reorganization within the Department. Four positions (4 FTE) have been removed from the Division's budget and transferred to the newly created Office of Business Administration (2 FTE) and Office of Information Technology (2 FTE). The expenditure limitation associated with the four positions has also been transferred. The budget contains a number of program enhancements to keep up with projected workload. They are described here.

Description	FTE	Amount
Add 6 positions to provide specialized facilities support services for existing facilities	6.00	$ 669,378
Add 11 positions to provide maintenance support for new facilities	11.00	$ 979,937
Add 13 positions to provide custodial and other services at specified new facilities	8.59	$1,149,062
Increase funding for use of state fleet vehicles	-	$ 115,546
Reclassify 14 positions and increase 1 position from part time to full time to appropriately match classifications to work performed and to address work load	0.43	$ 283,811

Funding for the increased expenditure limitation would come from existing uniform rent and rent charged when new facilities are completed.

DAS – Risk Management Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	25,000	25,625	10,000
Other Funds	10,828,945	16,146,346	14,623,517	14,623,517
Nonlimited	46,281,998	43,600,000	44,264,000	44,264,000
Total	**57,110,943**	**59,771,346**	**58,913,142**	**58,897,517**
Positions (FTE)	22.34	24.00	22.00	22.00

Program Description

The Risk Management Division purchases insurance for the state and is responsible for the management of the state's Self-Insurance Fund in order to maintain adequate balances for known and projected losses and to purchase excess coverage for the state. The Division investigates and resolves claims against the state and its employees. Risk Management also devises strategies that encourage agencies to minimize loss-related costs.

Revenue Sources and Relationships

The revenue source for the Division's operating expenditures is the Insurance Fund. State agencies pay into the Insurance Fund through an assessment ($23.9 million) based on a share of forecast statewide claims costs. Statewide needs are developed from independent actuarial forecasts for workers' compensation, property, and liability costs and estimated legal costs. Assessments are lower this biennium because the Division plans to use carryover fund balance in the Insurance Fund to support 2001-03 needs. Other Funds are also provided from investment income earned on the Insurance Fund. More than 70% of the Division's budget, established to purchase insurance and pay claims from the Insurance Fund, is Nonlimited. The General Fund provided in 1999-01 was to provide liability insurance for retired dentists who provide volunteer dental care to the needy.

Budget Environment and Performance Measurements

The amount and types of property owned, the number of employees and their work, and the types of programs agencies have all contribute to the need for risk management services and products, principally insurance. How well agencies manage their risk elements directly impacts their risk management costs. The Division also tries to avoid litigation costs by attempting to resolve claims against state officers, employees, and agents accurately and fairly.

Governor's Budget

The Governor's recommended budget reflects changes resulting from reorganization of the Department. Two positions and related expenditure limitation have been transferred to the Office of the Director. One position to the Office of Information Technology, the other to the Director's Office to be used to permanently fund position reclassifications. That position will be eliminated. The budget is a current service level budget only. The General Fund reduction is based on revised estimates of the number of retired dentists that will provide volunteer dental care to the needy. The Governor's recommended budget also includes a transfer of $26.5 million from the Insurance Fund to the General Fund.

DAS – Capital Improvements

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	3,392,597	4,198,932	3,925,512	3,925,512
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Capital Improvement Program, developed to complement the Major Construction / Acquisition Program, provides for remodeling and renovation projects that cost less than $500,000.

Revenue Sources and Relationships

The capital improvement activities are funded out of the Capital Projects Account, the Department's depreciation reserve fund, and are in addition to construction expenditures financed from the sale of certificates of participation.

Governor's Budget

The Governor's recommended budget contained 14 projects totaling $3.9 million Other Funds. Examples and the estimated cost of some of the 2001-03 projects include the following:

- $300,000 for unanticipated emergency repairs
- $299,000 to replace the roof and make other repairs to the executive residence
- $500,000 for tenant improvements and space occupancy for unanticipated office moves
- $441,000 to clean and seal the exterior of the Portland State Office Building
- $124,000 for Pendleton State Office Building roof improvements

DAS – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	22,425,514	6,969,642	0	58,270,780
Nonlimited	215,200	500,000	0	500,000
Total	**22,640,714**	**7,469,642**	**0**	**58,770,780**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Capital Construction / Acquisition Program includes major remodeling, renovation, and new construction or acquisition projects over $500,000. In passing SB 28, the Legislative Assembly approved significant changes in the state's approach to major construction and deferred maintenance. The legislation establishes an advisory committee to provide guidance on agencies' efforts to properly maintain and protect their investments in capital assets, and it mandates state agencies to prepare four-year capital construction budgets.

Revenue Sources and Relationships

Other Funds for capital construction are $10.3 million to come from the depreciation component of uniform rent and service agreements, and $48 million from the issuance of certificates of participation (COPs). The $500,000 Nonlimited Other Funds is for COP issuance costs.

Governor's Budget

The Governor's recommended budget provides funds for two significant construction projects: a new Justice Center Building ($38 million), and a new Capitol Mall parking structure ($10 million). It also provides:

- $9.5 million for six extensive renovation and building improvement projects;

- $400,000 for initial planning of a central computer facility and renovation of the current Justice Building renovations after the new Justice Center Building is completed;
- $125,000 limitation for general planning purposes; and
- $1 limitation each for leased facilities acquisition and systems furniture acquisition.

DAS – Community Development Office

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	367,299	481,062	488,743	739,893
Other Funds	0	1,078,578	0	1,719,161
Total	**367,299**	**1,559,640**	**488,743**	**2,459,054**
Positions (FTE)	4.50	6.67	0.00	8.00

Program Description

During the 1997-99 biennium, the Legislative Assembly approved $400,000 seed money for the Community Development Office (CDO). Its function is to facilitate integrated and coordinated services among state agencies that deal with community development issues. The Departments of Transportation, Economic Development, Housing and Community Services, Land Conservation and Development, and Environmental Quality loaned the CDO senior staff persons who functioned as policy advisors in their areas of expertise. The mission of the Community Development Office is to collaboratively bring together state agency programs, local government officials, and representatives from citizen and business resources.

Revenue Sources and Relationships

The Other Funds are expected to come from Federal Funds originally received by the Department of Transportation and transferred as Other Funds to the Community Development Office.

Governor's Budget

The Governor's recommended budget provides permanent funding for five regional coordinators and two support staff with Other Funds. It also takes a 10% General Fund reduction from Services and Supplies, but adds $300,000 General Fund to pay for a statewide sustainability coordinator to provide sustainability training to state agency personnel.

DAS – Governor's Natural Resource Office

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,289,075	2,336,862	2,483,947	2,161,394
Other Funds	236,677	295,153	288,358	288,895
Total	**1,525,752**	**2,632,015**	**2,772,305**	**2,450,289**
Positions (FTE)	8.92	12.17	11.50	11.00

Program Description

The Governor's Natural Resource Office addresses important natural resource issues that have a major affect on the state. The primary role of the office is to formulate policy choices regarding forests, salmon, watershed, land use, transportation, and growth management.

Governor's Budget

The Governor's recommended budget is for current service level of activity reduced by $322,000 General Fund. The General Fund reduction will be achieved by phasing out two positions at the end of calendar 2002 (0.50 FTE), reduced contracted dispute resolution services, and less funding for Geographic Information System products for the Oregan Plan for Salmon and Watersheds.

DAS – Office of Education and Workforce Policy

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	879,078	1,123,281	1,121,578	1,007,213
Other Funds	9,896	15,000	0	75,792
Total	**888,974**	**1,138,281**	**1,121,578**	**1,083,005**
Positions (FTE)	5.63	5.88	5.00	5.00

Program Description

The Governor's Office of Education and Workforce Policy was established in July 1997. This office continues some of the functions of the Office of Educational Policy and Planning and Workforce Quality Council, which were eliminated in 1997. The office assists the Governor in developing and implementing education and workforce policy. It is housed in DAS, like the Governor's Natural Resource Office and the Office for Oregon Health Plan Policy and Research.

Revenue Sources and Relationships

The Other Funds is a carryover balance that will be exhausted this biennium.

Governor's Budget

The Governor's recommended budget is essentially a current service level budget with some General Fund reductions for services and supplies.

DAS – Office for Oregon Health Plan Policy and Research

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	872,497	1,329,179	1,366,941	1,624,655
Other Funds	2,357,093	1,800,791	1,181,656	1,462,949
Federal Funds	0	1,002,611	0	250,653
Total	**3,229,590**	**4,132,581**	**2,548,597**	**3,338,257**
Positions (FTE)	17.98	14.99	13.75	14.92

Program Description

The 1993 Legislative Assembly established the Office of the Oregon Health Plan Administrator to oversee implementation of the Oregon Health Plan. In 1995, the Legislative Assembly combined it with the Office of Health Policy and its responsibility for the collection of data on hospital discharges, revenues, and changes in rates with the Office of the Oregon Health Plan Administrator to assist with health planning. Administration of the Oregon Health Council, the Oregon Health Services Commission, and the Oregon Health Resources Commission were also transferred to this Office. Primary responsibilities of these commissions are policy advice on health care issues, establishment and maintenance of the prioritized list of health services, and the introduction, diffusion, and utilization of medical technology, respectively. In 1997, the name of the Office was changed to the Office for Oregon Health Plan Policy and Research. The Office is the only agency with statewide Oregon Health Plan coordinating responsibilities.

Revenue Sources and Relationships

In addition to its General Fund support, the Office has contracts with Department of Human Services agencies that provide Other Funds revenue. The Federal Funds are from a one-year federal grant to conduct research on universal health coverage. The grant ends September 30, 2001. The Office also pursues other grant funding to support its research activities.

Governor's Budget

The Governor's recommended budget continues the program acknowledging some funding changes and providing some additional General Fund support to replace revenue lost because of an Attorney General's opinion. The budget recognizes the end of a three year private grant program and related reduction in four positions (1.48 FTE) September 30, 2001. The budget continues the final three months of a federal grant received October 1, 2000 ($251,000) and the related limited-duration staff (1.17 FTE). The budget also contains an additional $16,000 General Fund to pay for increased computer support provided by the Oregon Department of Education. Additionally, $82,000 General Fund is provided to continue the collection and analysis of record-level data on hospital inpatient stays. This activity previously was supported by selling the data to users.

However, an Attorney General's opinion determined that the data is public record and as a result, only a nominal amount can be charged. The budget also includes $161,000 General Fund to continue the practice of transferring the amount to the Department of Human Services which, in turn, uses it to obtain an equal federal match. The resulting $321,000 will come back to the Office as Other Funds to continue program efforts. In the 1999-01 biennium, $196,000 was provided for this purpose.

DAS – Arrest and Return

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	0	0	763,380
Other Funds	0	0	0	564,277
Total	**0**	**0**	**0**	**1,327,657**
Positions (FTE)	0.00	0.00	0.00	1.00

Program Description

The Arrest and Return program funds sending one officer to return A & B felons nationwide. Through the 1999-01 biennium, this program was housed in the Oregon State Police Budget, although it is overseen by the Governor's Office. One position (1 FTE) and $763,380 General Fund and $30,475 Other Funds expenditure limitation are being transferred from the Oregon State Police budget to locate this program in the Governor's Office.

Governor's Budget

The Governor's recommended budget consists of the transferred funds and FTE and adds $533,802 Other Funds expenditure limitation for sufficient travel funds to dispatch two officers on most extraditions when the U.S. Marshal's Service is not available and for additional program costs. The additional Other Funds would come from a distribution from the Criminal Fines and Assessment Account.

DAS – Miscellaneous Distributions

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	11,968,173	13,250,086	13,687,339	13,687,339
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This program accounts for the Mass Transit Assessment collected from state agencies based on their number of employees. The assessment is then distributed to mass transit districts established under ORS 267.010 to 267.390 and transportation districts established under ORS 267.510 to 267.650. The distribution is to reimburse the districts for the benefits they provide to the state government.

Governor's Budget

The Governor's recommended budget is a current service level budget.

DAS – Pioneer Cemetery

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	5,140	0	0	0
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

A pioneer cemetery, as defined by statute, is any burial place that contains the remains of one or more persons who died before January 1, 1940. In 1995, the Legislature created the Pioneer Cemetery Commission responsible for coordination of restoration, renovation, and maintenance of Oregon's pioneer cemeteries. In 1999, the Legislature transferred this program to the Parks and Recreation Department.

DAS – Special Payments

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	430,124	615,000	0	250,000
Nonlimited	3,973,823	0	0	0
Total	**4,403,947**	**615,000**	**0**	**250,000**
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

This is a catch-all category that reports payments for services not directly related to the mission of the Department of Administrative Services.

Governor's Budget

The Governor's recommended budget proposes two special payments. One for $100,000 to be sent to the Oregon Economic and Community Development Department for use by the Cultural Task Force, and one for $150,000 to be sent to the World Affairs Council.

Commission on Asian Affairs – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	25,759	131,384	142,950	142,950
Other Funds	63,374	17,806	20,586	30,586
Total	**89,133**	**149,190**	**163,536**	**173,536**
Positions (FTE)	1.00	1.00	1.00	1.00

Program Description

The Commission on Asian Affairs was established by the Legislature in 1995 to promote trade and tourism between Oregon and Pacific Rim countries, to identify and examine the needs of Asian Americans, and to encourage the economic development of the Asian American community. In 1999, the Legislature narrowed the Commission's mission to promoting equality for Asian Americans in Oregon, and to assessing the issues and needs confronting Asian Americans. The duties relating to promoting trade and tourism were repealed. With these changes, the Commission on Asian Affairs' mission now parallels those of the other advocacy commissions.

Revenue Sources and Relationships

An Other Funds expenditure limitation is provided to encourage grants, donations and other non-state support to fund Commission activities. The Commission is authorized to receive donations and grants, and to conduct revenue-generating activities to finance its expenses. These revenues were the sole source of Commission support in 1995-97. The Commission was created to be self-supporting. It was, however, far less successful raising funds than was hoped, and in 1997 the Legislature added General Fund support.

In the 1997-99 biennium, the Commission received $76,813 of state support as Other Funds. These funds were part of a General Fund appropriation to the Human Resources Services Division of the Department of Administrative Services for diversity issues. The Division transferred the funds appropriated to it roughly equally among the four advocacy commissions. For budget purposes, the Commission received these state funds as Other Funds, since they were passed through another agency's budget. This source of Other Funds was discontinued in 1999.

The Commission only raised $3,360 from donations during the entire 1997-99 biennium. Last year, however, the Commission raised close to $11,000 to sponsor Asian Pacific American Heritage Month activities.

Budget Environment and Performance Measures

In 1997, the Legislature appropriated $25,759 of General Fund to the Commission – the same amount it provided to all four advocacy commissions. The General Fund support was to be used as seed money to enable the Commission to develop and implement a viable fundraising plan. To allow the Commission the opportunity to operate at the higher level supported in the Governor's recommended budget, the Legislature increased the Other Funds limitation to over $132,000. The Legislature also appropriated approximately $300,000 of General Fund to the Department of Administrative Services for diversity issues. This money was transferred to the four advocacy commissions, and the Commission received approximately $77,000. The Commission's portion of these funds, along with its direct General Fund appropriation, provided it with $101,814 of state support in the 1997-99 biennium.

The Commission's fundraising efforts have lately been more successful. Much of this fundraising is in association with Asian American Heritage Month activities. In 1999, the Legislature recognized Asian American Heritage Month and required the Commission, in conjunction with the Oregon Heritage Commission, to coordinate statewide celebrations of this event. No state funding was provided, but the Commission was able to raise approximately $11,000 for a one-day outdoor festival in downtown Portland. This level of annual fundraising is expected to continue through the next biennium.

The agency has not adopted any performance measures but has linked to several of the Oregon Progress Board's Oregon Benchmarks. These include secondary links to benchmarks relating to: creation of new companies, international air connections, high school dropout rates, voter participation, community connection, and poverty.

Governor's Budget

The Governor's budget provides General Fund support at the current service level, and increases the Other Funds expenditure limitation by $10,000 above the current service level to support expenses relating to sponsorship of Asian American Heritage Month activities. The agency had requested General Fund to support and expand these activities. Instead, the budget provides an expanded Other Funds expenditure limitation to accommodate, if successful, additional fundraising for this program.

Because the executive director position was vacant during portions of the 1997-99 biennium, the agency did not spend all of the state support funds it received that biennium. Generally, unexpended state support dollars remain in the General Fund and are available to support state expenditures in the subsequent biennium. In 1997-99, however, the agency received most of its state support as Other Funds. Other Funds do not automatically revert (even when they are merely a transfer of General Fund from another state agency), and the Commission retained approximately $16,800 of the state support Other Funds that it received in 1997-99. The Governor's budget transfers these funds back to the General Fund in the 2001-03 biennium.

Commission on Black Affairs – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	25,777	128,860	139,339	139,339
Other Funds	76,121	28,859	20,054	20,054
Total	**101,898**	**157,719**	**159,393**	**159,393**
Positions (FTE)	1.00	1.00	1.00	1.00

Program Description

The Commission on Black Affairs was established by executive order in 1980 and by statute in 1983 to work for the "implementation and establishment of economic, social, legal and political equality for Blacks in Oregon." The Commission is comprised of 11 members, two of whom are legislators. Duties of the Commission are to:

- monitor existing programs and legislation designed to meet the needs of the African American population;
- identify and research problem areas and issues affecting the African American community and recommend actions to the Governor and Legislative Assembly;
- serve as a liaison between the African American community and government entities; and
- encourage African American representation on state boards and commissions.

Revenue Sources and Relationships

An Other Funds expenditure limitation is provided to encourage grants, donations and other non-state support to fund Commission activities. The 1999 Legislative Assembly approved a $20,000 Other Funds expenditure limitation to accommodate and encourage fund raising activities. The Emergency Board increased the limitation to $40,000 to allow the Commission to receive grant funds to sponsor an exhibit on African Americans in the military. The Commission received approximately $32,000 to sponsor this exhibit.

In the 1997-99 biennium, the Commission received approximately $75,000 of state support as Other Funds. These funds were part of a General Fund appropriation to the Human Resources Services Division of the Department of Administrative Services for diversity issues. The Division transferred the funds appropriated to it roughly equally among the four advocacy commissions. For budget purposes, the Commission received these state funds as Other Funds, since they were passed through another agency's budget. This source of Other Funds was discontinued in 1999.

Budget Environment and Performance Measures

Until 1997, the agency's expenses were almost exclusively supported by the General Fund. The Commission had not been successful in raising Other Funds. In 1997, the Legislature changed the focus of the Commission's funding from General Fund support to reliance on donations. The Legislature reduced General Fund support to $25,777 – the same amount it provided to all four advocacy commissions. The General Fund support was to be used as seed money to enable the Commission to develop and implement a viable fundraising plan. To allow the Commission the opportunity to continue its operations, the Other Funds limitation was increased by $110,000. The Legislature also appropriated approximately $300,000 of General Fund to the Department of Administrative Services for diversity issues. This money was transferred to the four advocacy commissions, and the Commission received approximately $75,000. This transfer, along with the General Fund support, provided total state support that was 23% less than the prior biennium level.

The 1999-01 budget increased direct General Fund support to $128,860 and eliminated the General Fund transfer through the Human Resources Services Division. The budget also reduced the agency's state government service charges by $12,488, freeing up this amount of General Fund appropriation for other agency expenses. General Fund again covers all of the personal services cost of the executive director position and general office expenses. The Other Funds in the budget financed the costs associated with an exhibit on African Americans in the military. This was a one-time source of funds that is not expected to recur in the 2001-03 biennium.

The Commission has approved links to three of the Oregon Progress Board's 1999 Oregon Benchmarks. The two primary links relate to public safety: a) Overall reported crimes per 1,000 Oregonians, and b) Total juvenile arrests per 1,000 juvenile Oregonians per year. The Commission works towards influencing these benchmarks through collaborations with the Oregonians Against Gun Violence / Cease Fire Public Education Campaign, with the Mayor's Initiative on Juvenile Gun Violence, with Uhuru SaSa: Black Inmates – Salem State Correctional Institution, and with Mothers Against Gang Violence. The Commission adopted a secondary link to one benchmark: Percentage of Oregon households with personal computers at home that send and receive data and information over telecommunications. The agency collaborates with King Facility, North Portland to solicit used computers and volunteer instructors to train youth and enhance computer literacy. The Oregon Progress Board did not continue these three benchmarks for the 2001-03 biennium, though its revised benchmarks include two that are similar to the ones that the Commission had approved primary links to.

Governor's Budget

The Governor's recommended budget funds the Commission at the current service level. The budget, therefore, removes the $20,000 of Other Funds expenditure limitation that was approved on a one-time basis in 1999-01 to sponsor the exhibit on African Americans in the military. An Other Funds expenditure limitation of approximately $20,000 is retained in the 2001-03 budget. This, however, is retained solely as an incentive for the Commission to raise funds from donations and grants, as no specific Other Funds revenue source has been identified for the 2001-03 biennium.

Capitol Planning Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	215,004	252,514	249,697	266,543
Positions (FTE)	1.63	1.63	1.63	1.63

Program Description

The Capitol Planning Commission was created to establish and implement a long-range development plan for state-owned properties in Marion and Polk Counties. The Commission reviews state agency capital development and facility proposals and coordinates planning to determine compatibility with area plans, local planning guidelines, and local interests. The Commission has developed a long-term, master plan for the Capitol Mall area. The Commission consists of nine members; three are appointed by the Governor, and six are "ex officio" members. An executive director (0.8 FTE) and a staff support position (0.83 FTE) provide administrative support for the Commission.

Revenue Sources and Relationships

Funding is provided through an assessment against state agencies based on the amount of space owned or occupied by the agency in the geographic area under the Commission's jurisdiction (Marion and Polk Counties). The assessment is collected by the Department of Administrative Services as part of the state government service charge.

Budget Environment and Performance Measures

The Commission's funding is predicated on its continuing role as being involved in development planning in the Marion and Polk Counties. The Commission believes that its activities support community development, environment, and quality of life in the area.

Governor's Budget

The Commission's budget contains one enhancement over current service level. The $17,000 enhancement is to connect the Commission to the Capitol Wide Area Network and to develop and maintain a web site.

Employment Relations Board (ERB) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,147,317	1,277,152	1,344,745	1,344,745
Other Funds	1,151,504	1,298,067	1,636,358	1,639,913
Total	**2,298,821**	**2,575,219**	**2,981,103**	**2,984,658**
Positions (FTE)	18.00	17.73	17.73	16.00

The Employment Relations Board is a three-member quasi-judicial board charged with resolving labor disputes in state agencies, local government agencies, and private employers not subject to the National Labor Relations Board jurisdiction.

ERB – State Government Labor Relations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	921,861	1,060,393	1,228,031	1,231,586
Positions (FTE)	7.12	7.12	7.12	7.12

Program Description

This program provides labor relation adjudication and dispute resolution in the state service (state agencies and employees), determines bargaining units, and conducts representation elections.

Revenue Sources and Relationships

The State Government Labor Relations program is 100% financed from a monthly assessment on covered positions in state agencies. The 2001-03 projected revenues of $1,043,000 are based an assessment rate of $1.35 per employee per month and 32,200 covered state employees. Approximately one-third of state agency assessments is paid from General Fund sources.

Budget Environment and Performance Measures

A budget note in the Budget Report on the Employment Relations Board appropriation bill required the Board to conduct a study of its workload in order to help determine an appropriate funding level for the State Government Labor
Relations program. The study showed that, based on hours spent, the approximate state workload was 27 and 33% of total workload in 1999 and 2000, respectively. The current assessment provides 35% of budgeted funds for the biennium.

The Board measures its performance on its ability to settle cases within established timeframes and its ability to settle cases before they reach impasse. In two of the last three fiscal years the Board has not been able to meet its timelines and attributes this to a shortage of staff. It has been able to meet its target of settling cases before they reach impasse.

Governor's Budget

The Governor's budget anticipates using approximately $200,000 of carryforward balance in addition to the assessments. It is a current service level budget increased slightly for office rent increases and instate travel costs. The increase over the prior biennium is due to increased personnel costs of $153,000 mostly attributable to a full biennium of salary adjustments provided in 1999-01.

ERB – Local Government Labor Relations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,147,317	1,277,152	1,344,745	1,344,745
Other Funds	229,643	237,674	408,327	408,327
Total	**1,376,960**	**1,514,826**	**1,753,072**	**1,753,072**
Positions (FTE)	10.88	10.61	10.61	8.88

Program Description

This program provides resolution of labor relations disputes for local government and covered private employers and labor organizations through use of mediation and adjudication, determines bargaining units, and conducts representation elections.

Revenue Sources and Relationships

There are four primary sources of revenue in this program in addition to the General Fund: contract mediation fees ($1,000); grievance and Unfair Labor Practice (ULP) fees ($500); interest based bargaining training fees (up to $2,500); and filing fees for ULP complaints ($250) and answers ($100). The Board anticipates collecting fees of $211,000 for mediation services and collecting another $63,000 from filing fees and the sale of transcripts and tapes.

Budget Environment and Performance Measures

For 1991-93 through 1997-99, cumulative reductions in General Fund appropriations total 47 percent. As a result, this program has become increasingly dependent on fees for its services. Yet demand for services has fallen and, since 1995-97, the agency has made reductions in staff in response to insufficient revenues. These staff reductions affect the ability of the agency to respond to requests for services. The agency also believes the imposition of fees has had an adverse impact on small local governments' and employers' ability to use the agency's services, further reducing revenues.

The Board measures its performance for the Local Government program much the same as it does for State Government with similar results.

Governor's Budget

The Governor's budget is strictly a current service level budget. The budget eliminates two positions (1.73 FTE) that had been vacant most of the 1999-01 biennium. The savings from these reductions have been used to maintain current service level for increased rent and instate travel costs and using professional services for technology support.

Government Standards and Practices Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	567,391	698,573	679,453	677,453
Other Funds	3,201	7,228	8,374	10,374
Total	**570,592**	**705,801**	**687,827**	**687,827**
Positions (FTE)	4.00	4.00	4.00	4.00

Program Description

The Government Standards and Practices Commission, formerly called the Oregon Government Ethics Commission, was established as the result of a referendum in the 1974 General Election. The Commission's mission is to impartially administer the regulatory provisions of government standards and practices, lobby regulation, and public meeting laws. The Commission is required by law to meet specific timelines for the conduct of investigations. The Commission also educates public officials and lobbyists on the provisions of the Government Standards and Practices Law, the Public Meetings Law, and lobbying regulations. Clientele groups of the Commission include all public officials who serve the state or any of its political subdivisions, registered lobbyists and their employers, and any citizen who requests a review of the conduct of a public official or lobbyist.

Revenue Sources and Relationships

The Commission is funded almost entirely by General Fund. The Other Funds portion, a little over 1%, is from reimbursements for the cost of printing and distributing Commission documents. This revenue will total approximately $10,000 in the 2001-03 biennium. The Commission also collects revenues from fines and forfeitures. These are not included in the agency budget, however, as these revenues are transferred to the General Fund and are not available for Commission operations. The Commission estimates it will collect $45,000 in fines and forfeitures in 2001-03.

Budget Environment and Performance Measures

The total number of complaints filed with the Commission remains relatively constant, with complaint activity spiking slightly upward in election years. Over the last two years there has been a decrease in the number of ethics complaints and an increase in the number of executive session (public meetings law) complaints. The board attributes this to citizens having a stronger interest in and better knowledge of the Public Meetings Law. Statute requires the Commission not only to act on complaints but also to educate public officials and registered lobbyists on their responsibilities under the Government Standards and Practices Law and the Public Meetings Law. The Commission's executive director travels statewide offering training to a broad range of public officials. In the 1999-2001 biennium the agency focused especially hard on this area, believing education of public officials will drive down the number of complaints received by the Commission.

A major variable in the Commission's budget is the level of Attorney General charges. These can vary greatly depending upon whether the Commission faces any contested cases. Generally, the budget makes no allowance for exceptional contested case costs. The Commission plans to go to the January 2001 Emergency Board to ask for approximately $25,000 General Fund for additional Attorney General charges. The agency will have at least one case in court this biennium and expects to send two cases to the Central Hearings Panel for resolution.

Most of the Commission's performance measures are driven by statutory requirements; the Commission meets or exceeds these requirements. The Commission evaluates its performance in the following four areas:

- Length of time to complete case preliminary reviews. The current average is 72 days from the date a complaint is received. The statute allows up to 90 days.
- Length of time to complete case investigations. The current average is 90 days following finding of cause to investigate. The statute allows up to 120 days.
- Length of time to provide written responses to requests for staff opinions. The current average is 21 days after receiving a written request. There is no statutory requirement.
- Number of training sessions presented. The agency strives for 50 training sessions per calendar year; in 1999, 85 training sessions were presented. There is no number of sessions required by statute.

Governor's Budget

The Governor's budget is a current service level budget and reflects a decrease of $17,974 (2.55%) from 1999-01 estimated expenditures. The decrease is due to the phase-out of one-time technology investments. As in previous biennia, the budget does not include funding for exceptional contested case costs. Accordingly, the Commission will need an Emergency Fund allocation if these costs materialize.

Office of the Governor – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	4,960,559	5,415,723	5,681,669	5,681,669
Other Funds	966,686	799,529	838,433	838,433
Total	**5,927,245**	**6,215,252**	**6,520,102**	**6,520,102**
Positions (FTE)	31.00	29.00	29.00	29.00

Program Description

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 a State Affirmative Action Officer, a Citizen's Representative Office, a Minority and Women Business Advocate, and provides clerical support for appointing members to boards and commissions.

Revenue Sources and Relationships

The Office of the Governor is supported mainly by the General Fund. Other Funds consist of revenue transfers from the Departments of Administrative Services and Consumer and Business Services to finance the Affirmative Action and Minority and Women Owned Business programs. The Affirmative Action Program is funded from a Personnel Division assessment estimated at $419,000 for the biennium. The Minority Business Enterprises program is funded from assessments on agencies that have capital construction funded in their budgets and also receives funds from the sale of subscriptions for directories of certified firms. Revenues from these sources are estimated at $412,000.

Budget Environment and Performance Measures

The budget is driven by the number of staff and programs operated out of the Governor's Office. In the 1999-01 biennium, two Telecommunications Policy positions were transferred from the Governor's Office to the Department of Administrative Services. The Other Funds support for these positions also was transferred to the Department. No new programs have been placed in the Governor's Office in recent biennia, however, as the elected administrator of state government, the Governor does have access to resources throughout state government.

Governor's Budget

The Governor's recommended budget funds the current service level. Increases over the 1999-01 biennium are due to inflation and a full biennium of salary adjustments provided during the 1999-01 biennium.

Commission on Hispanic Affairs – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	25,739	128,216	159,160	159,160
Other Funds	96,876	118,228	27,541	162,751
Total	**122,615**	**246,444**	**186,701**	**321,911**
Positions (FTE)	1.00	1.50	1.00	1.00

Program Description

The Commission on Hispanic Affairs was established by executive order in 1980 and by statute in 1983 to work for the "implementation and establishment of economic, social, legal and political equality for Hispanics in Oregon." The Commission is comprised of 11 members, two of whom are legislators. Commission responsibilities are to:

- monitor existing programs and legislation designed to meet the needs of the Hispanic population;
- identify and research problem areas and issues affecting the Hispanic community and recommend actions to the Governor and Legislative Assembly;
- serve as a liaison between the Hispanic community and government entities; and
- encourage Hispanic representation on state boards and commissions.

Revenue Sources and Relationships

The Commission generates Other Funds revenue through donations and grants, and by offering Spanish language classes to state employees. These funds help the Commission carry out its mandated functions.

In the 1997-99 biennium, the Commission also received approximately $77,000 of state support as Other Funds. These funds were part of a General Fund appropriation to the Human Resources Services Division of the Department of Administrative Services for diversity issues. The Division transferred the funds appropriated to it roughly equally among the four advocacy commissions. For budget purposes, the Commission received these state funds as Other Funds, since they were passed through another agency's budget. This source of Other Funds was discontinued in 1999.

Budget Environment and Performance Measures

Until 1997, the agency's expenses were almost exclusively supported by the General Fund. The Commission had not been successful in raising Other Funds. In 1997, the Legislature changed the focus of the Commission's funding from General Fund support to reliance on donations. The Legislature reduced General Fund support of the Commission's budget to $25,770 – the same amount it provided to all four advocacy commissions. To allow the Commission the opportunity to operate at levels supported in the Governor's recommended budget, the Other Funds limitation was increased by $110,000 to offset the General Fund reduction. The General Fund support was to be used as seed money to enable the Commission to develop and implement a viable fundraising plan. The Legislature also appropriated approximately $300,000 of General Fund to the Department of Administrative Services for diversity issues. This money was transferred to the four advocacy commissions. The Commission's portion of these funds, along with its direct General Fund appropriation, provided it with a total of $103,000 of state support, a drop of 17% from the prior biennium level. In the 1997-99 biennium, the Commission began a program to teach Spanish language classes to state employees. The agency generated approximately $13,000 from fees for these classes, and used the funds to support the classes and to supplement the agency budget.

The 1999-01 budget increased direct General Fund support to $128,216 and eliminated the General Fund transfer through the Human Resources Services Division. The budget also reduced the agency's state government service charges by $11,620, freeing up this amount of General Fund appropriation for other agency expenses. General Fund again covers all of the personal services cost of the Executive Director position and general office expenses. The Commission greatly expanded its Spanish language course program in the 1999-01 biennium, and expects to raise close to $120,000 from course fees. The program is a moneymaker for the Commission. The fees from it are being used to finance the Spanish language courses, and also to establish a new English as a Second Language (ESL) program and Spanish pre-school classes. The fee revenue will also cover the costs relating to the Commission's participation in the Latino Youth Summit. The Emergency Board increased the agency's Other Funds expenditure limitation in September 2000 to accommodate the fee revenue being generated by the Spanish language course program, but because of the timing of this action, this increase was not technically included in the current service level calculation of the agency's budget.

In 1999, the Legislature also approved a Commission plan to operate an education program on Oregon's search and seizure laws. This program was to be grant funded (Other Funds), and included authorization for one additional position (0.5 FTE). The plan was approved for one biennium only and not continued in the agency's current service level. In any event, it turned out that the Commission did not receive any funds for this program, and instead implemented a more limited education program within its existing funds and staffing.

The agency has not adopted any performance measures but has linked to several of the Oregon Progress Board's Oregon Benchmarks. These include primary links to seven benchmarks and secondary links to 14. The primary link benchmarks include the percentage of state employment outside the Portland Metro / Willamette Valley region, the percentage of people able to speak a language in addition to English, high school equivalency and literacy benchmarks, voter turnout, and the percentage of children entering school ready-to-learn. The Commission works to address these benchmarks through its Spanish language course program, its ESL program, and its work with the Oregon Latino Voter Registration and Education Project.

The secondary link benchmarks include a number relating to economic performance, including income distribution, poverty, unemployment, and health insurance coverage. Other secondary benchmarks relate to youth and include high school completion, CIM and CAM attainment, teen pregnancy rates, and juvenile arrest rates. The Commission addresses the economic benchmarks through ESL courses and individual assistance on resumes and interviewing. It addresses the youth-related benchmarks with its Latino Youth Summit program. This program offers an annual summit where approximately 300 high school students work to develop action plans for their local communities. The program targets at-risk youth and aims to promote the participants' skills and self-confidence.

Governor's Budget

The Governor's budget includes General Fund support at the current service level, and increases the Other Funds expenditure limitation above the current service level to accommodate the agency's anticipated biennial receipts from its Spanish language course program. These course receipts, which rose from $13,000 in the 1997-99 biennium to an estimated $120,000 in the 1999-01 biennium, are expected to increase further to $160,000 in 2001-03. Approximately two-thirds of the funds are used to pay the costs of the Spanish classes. The remainder will finance ESL courses, Spanish language pre-school classes, and the annual Latino Youth Summit. The budget also allows $4,210 of the Other Funds to be used to finance the standard bilingual pay differential for the Executive Director position.

The General Fund support, although at the current service level, is a 24% increase over the prior biennium's appropriation. The reasons for this large increase include that the agency awarded the Executive Director more than the usual merit increases during the 1999-01 biennium, and that the Commission's state government service charges are budgeted to increase 69% over the prior biennium level.

Oregon State Library (OSL) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,738,955	3,125,068	3,229,575	3,194,359
Other Funds	4,226,259	4,787,100	5,108,984	5,108,984
Federal Funds	3,210,183	3,566,960	3,632,847	3,632,847
Total	**10,175,397**	**11,479,128**	**11,971,406**	**11,936,190**
Positions (FTE)	44.26	44.38	44.38	44.38

The State Library engages in three broad functions: 1) to provide research services to state government; 2) to supply reading materials to blind and print-disabled Oregonians; and 3) to assist in improving the overall quality of library services throughout the state by consulting with local libraries, distributing federal Library Services Technology Act (LSTA) funds, and administering the Ready-to-Read Grant program for local libraries.

Revenue Sources and Relationships

Other Funds revenues are generated from an assessment on state agencies (93%), donations (5%), and miscellaneous receipts (2%). The assessment to an agency is based two-thirds on the agency's FTE count and one-third on actual agency library usage. (The Oregon University System, in accordance with state statute, is not assessed.) Other Funds provide only partial funding for all sections, except the Government Research and Electronic Services program, where it provides 100% of revenue. General Fund partially supports all sections except Government Research and Electronic Services. Federal Funds are used solely for Library Development Services.

Budget Environment and Performance Measures

Property tax limitation Measures 47 (1996) and 50 (1997) had a dramatic impact on Oregon public libraries. Beginning in early 1997, staff were laid off in many communities, service hours were cut, and book purchases were seriously curtailed. Many of these libraries have recovered since then, mostly through the passage of local option levies, although some libraries are still struggling. A significant number of Oregonians, about 20%, remain unserved or underserved by public libraries.

The Library has established several performance measures. Key measures are discussed under each program's section.

Governor's Budget

The Governor's recommended budget for the State Library is approximately $11.9 million Total Funds, a 3.4% increase over 1999-01 estimated expenditures. The budget provides for the continuation of the current level of services, with a small reduction in Attorney General and other costs.

OSL – Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	389,017	393,297	404,003	404,003
Other Funds	420,025	542,113	553,644	553,644
Total	**809,042**	**935,410**	**957,647**	**957,647**
Positions (FTE)	5.63	5.63	5.63	5.63

Program Description

This program oversees the overall administration of the agency. Responsibilities include providing leadership, policy development and strategic planning, working with constituent groups, managing financial and personnel functions, and setting and assessing performance measures.

Budget Environment and Performance Measures

The Library relies heavily on volunteer hours to achieve its mission. Since managing volunteer coordination is one of the functions of Administration, the Library uses the number of hours worked by volunteers as a performance measure for this program. The agency's efforts are affected by factors outside of its control, such as fluctuating availability and willingness of volunteers. There has been some decline in the number of volunteer hours: from 32,450 in 1997-99 to a projected 31,300 for 1999-01. The Library has set a goal of 30,000 hours for 2001-03.

Governor's Budget

The Governor's recommended budget continues this program at the current service level with a small reduction in Attorney General costs. The recommended budget is a 5.8% decrease from 1999-01 estimated expenditures.

OSL – Library Development Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	1,388,775	1,666,599	1,711,221	1,676,005
Other Funds	17,081	26,255	50,756	50,756
Federal Funds	3,210,183	3,566,960	3,632,847	3,632,847
Total	**4,616,039**	**5,259,814**	**5,394,824**	**5,359,608**
Positions (FTE)	4.69	4.75	4.75	4.75

Program Description

This program is responsible for assisting local libraries and improving the overall quality of library services in the state. Library Development Services assists approximately 1,600 public, academic, and school libraries. The program performs the following services:

- promotion of the establishment and consolidation of libraries;
- assistance to libraries with literacy, job-skill preparation services and children's readiness-to-learn activities;
- distribution of federal grants to local libraries;
- collection and distribution of statistics concerning Oregon libraries; and
- administration of the State's Ready-to-Read Grant program, which provides local library services to Oregon's children birth through age fourteen.

Revenue Sources and Relationships

Federal Funds provide grants to local libraries to improve services. In the past, the majority of Federal Funds were obtained from the Library Services and Construction Act (LSCA) and Titles I, II, and III administered by the U.S. Department of Education. This funding was replaced with Library Services Technology Act (LSTA) funds from the newly formed Institute of Museum and Library Services. Under the LSTA's maintenance of effort requirements, states must maintain the average of expenditures in the past three years in state-funded programs relevant to the priorities of LSTA. Any reduction in state funding results in an identical percentage reduction in funding under the LSTA. Oregon is projected to receive a total of $3.6 million under the LSTA in 1999-01. Funding for 2001-03 is anticipated to be approximately the same.

The Ready-to-Read program is supported totally by General Fund. The 1999 Legislature authorized a 33% increase in program funding, from $0.75 to $1.00 per child. This provided a 1999-01 budget of $1.4 million for formula grants to over 100 local libraries.

Budget Environment and Performance Measures

Within the first twelve months of the 1999-01 biennium, the Library administered 109 state and 108 federal grants for improvements in library services. Approximately 163,000 Oregonians do not have access to public library services and another 469,000 Oregonians' library services fall below the minimum standards set by the State Library. These standards include, but are not limited to: a legally established library with basic services available free of charge to citizens within its tax-supported service area; operating hours of at least 20 per week; a full-time, paid professional librarian for populations over 10,000; and provision of children's programming. To help assess the Library's efforts in assisting and improving local libraries, the agency has established as a performance measure the percentage of Oregon's population served by a public library meeting minimum service criteria. The actual percentage for 1997-99 was 83 percent. It is projected to be 88% for 1999-01, with a goal of 90% for 2001-03.

The Ready-to-Read grant program has assisted over 100 libraries in reaching out to children through circulation and program services. Grants are made on the basis of population statistics for children ages 0 to 14 (80%) and square miles of areas served (20%). The percentage increase in local public library services to children is a performance measure for this program, although the State Library recognizes the grants are only a portion of the funding libraries use to provide these services. In 1997-99, the actual increase was 13%, with a projection of 10% for 1999-01 and, based upon projections for this biennium, a goal of 10% for 2001-03.

Governor's Budget

The Governor's recommended budget continues the current service level for this program with a reduction (-$35,000) in the Ready-to-Read Grant program for revised population estimates as of September 2000 for children ages 0 to 14. The recommended budget is a 2% increase over 1999-01 estimated expenditures.

OSL – Talking Book and Braille Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	961,163	1,065,172	1,114,351	1,114,351
Other Funds	101,840	107,315	173,442	173,442
Total	**1,063,003**	**1,172,487**	**1,287,793**	**1,287,793**
Positions (FTE)	9.94	10.75	10.75	10.75

Program Description

Talking Book and Braille Services (TBABS) provides a wide variety of reading materials in audio-recorded or Braille formats to serve Oregonians with limited vision or other disabilities that prevent them from using conventional books and other printed materials. TBABS is a partnership between the Library of Congress and the State Library. The books, tapes, recorders and postage are provided at no cost to Oregon through the federal program. The State Library's responsibility is to provide storage, processing, inventory and maintenance of books, tapes and recorders.

Revenue Sources and Relationships

In 1999-01 General Fund covers 88% of the TBABS budget and the remaining 12% is funded through Other Funds, which represent donations generated through a fund-raising program. Actual donations for 1997-99 were $168,000. The State Library projects $195,000 in donations for 1999-01, with a goal of $250,000 for 2001-03.

Budget Environment and Performance Measures

An estimated 46,000 people in Oregon have impaired vision or other disabilities that limit their ability to use standard printed materials. An estimated 8,000 (17.4%) of these use the TBABS program. Approximately 6,600 individuals are registered as users and over 500 registered institutions serve another 1,400 individuals. About 1,471 books and audio books are mailed daily to customers, with an equivalent number of items received each day. Incoming books/tapes must be inspected, rewound (2 to 3 tapes per book) and inventoried before being reshipped. The total number of individual volumes and tapes handled per day is over 6,000. Full-time staff (10.75 FTE) and volunteers process and distribute materials, with volunteers accounting for approximately one-third of total hours worked. The Library also works with local public libraries to assist them in meeting the needs of the target population. The number of TBABS users is expected to grow by approximately 2.9% in the 2001-03 biennium.

Currently, the Library contracts with the Department of Corrections to have inmates at Eastern Oregon Correctional Institution clean and repair the TBABS machines on a limited basis. It estimates that in 1999-01 about 1,560 machines will be serviced under this contract, which expires in December 2000. Funding constraints have limited the Library's ability to expand this service. Volunteers and staff also service the machines.

Performance measures for this program include:

- Number of individuals registered to receive TBABS – 6,599 Oregonians were registered in 1997-99, 6,800 are projected for 1999-01, and the 2001-03 target is 7,000; and
- Percentage of TBABS customers rating the service as "very good" or "excellent" – 93% of users gave this rating in 1997-99, 95% is projected for 1999-01, and the goal for 2001-03 is 95% as well.

Governor's Budget

The Governor's recommended budget is a 10.1% increase over 1999-01 estimated expenditures but a slight decrease from the current service level due to a reduction in Attorney General costs. The Governor's budget does not include additional General Fund requested by the agency to cover the increasing costs of the TBABS program, including rental space costs, machine repairs, and funding for an FTE approved, but not funded, by the 1999 Legislative Assembly. (The agency was directed by the 1999 Legislature to use Other Funds for this position, which the agency did through vacancy and other savings.) As a result, the assessment on state agencies will continue to subsidize the program.

OSL – Government Research and Electronic Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	3,687,313	4,105,100	4,352,287	4,331,142
Positions (FTE)	24.00	23.25	23.25	23.25

Program Description

Government Research and Electronic Services (GRES), previously known as Library Information Services, provides research assistance and electronic and printed resource services to state government. In addition, the general public obtains special information concerning patents, trademarks, state government publications, Oregon history, and genealogy.

GRES develops and maintains the Oregon Public Access Catalog and WORKsmart, the Library's statewide on-line information service; provides technical support and maintenance for the State Library's other automated systems; catalogs, inventories, circulates, and retrieves all library materials; and coordinates a database of periodical holdings of Oregon libraries.

Revenue Sources and Relationships

GRES is now fully financed by an assessment on all state agencies, with the exception of the Oregon University System, for their library use.

Budget Environment and Performance Measures

During the first twelve months of 1999-01, this program distributed approximately 19,957 state government publications to designated document depository libraries throughout Oregon. Due to legislation passed in 1993 requiring fewer copies of state publications to be deposited with the Library and due to increased interest in the Internet, there has been about a 50% decrease in acquiring and distributing hard copies of state documents since the 1993-95 biennium.

Over the same time period, there has been an increased demand for information through the Library's phone-in program (CALLsmart), in-person and e-mail requests, and its Intranet service (WORKsmart). For CALLsmart and in-person and e-mail requests, reference transactions for state employees have increased from 17,106 in 1993-95 to 31,184 in 1997-99. During the first twelve months of the current biennium, Library staff answered 11,573 requests for information. The Library expects significant growth in the second half of this biennium, in part due to the closing of an internal library at the Oregon Department of Transportation.

WORKsmart allows libraries, state agencies and other governmental entities to access state documents, federal documents and other items that were previously available only in hard copy. There are approximately 3,500 state employees who are registered users of WORKsmart. From September 1998 to October 2000, state agencies' transactions numbered in excess of 300,000, an increase of over 500% from the previous two-year period. This percentage increase reflects the start-up of the program as well as improved methods for gathering information on use of the program. Currently the agency is working to develop the second generation of WORKsmart, called SMARTOR.gov.

Performance measures for this program include:

- Number of information requests transacted for state employees – 31,184 transactions were executed for 1997-99, with 30,000 projected for 1999-01, and a goal of 35,000 for 2001-03;
- Percentage of state agency customers rating the program's service as "very good" or "excellent" – 72% of users gave this rating in 1997-99, with a projection of 75% for 1999-01 and a goal of 75% for 2001-03; and
- Percentage of state employees registered to use WORKsmart – 10% of state employees were registered in 1997-99, with a projection of 15% in 1999-01 and a goal of 18% for 2001-03.

Governor's Budget

The Governor's recommended budget continues the current level of service with a reduction in Attorney General costs. The recommended budget is a 5.5% increase over 1999-01 estimated expenditures.

Oregon Liquor Control Commission (OLCC) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	64,717,455	71,868,001	75,287,258	77,179,828
Nonlimited	0	69,516	3,084,912	2,192,147
Total	**64,717,455**	**71,937,517**	**78,372,170**	**79,371,975**
Positions (FTE)	214.35	215.02	215.02	217.02

The Oregon Liquor Control Commission (OLCC) regulates all individuals and businesses that manufacture, sell, import, export or serve alcoholic beverages; educates and trains liquor licensees, the public and other groups; investigates and takes compliance action when necessary against those who violate liquor laws. The five-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 generated from liquor sales (89%), privilege taxes on malt beverages and wines (Beer and Wine Tax) (9%), license fees and fines, server education fees, and miscellaneous income (2%). As required by law, 50% of the privilege tax revenues ($12.5 million for 2001-03) is first allocated for payments to the Mental Health Alcoholism and Drug Services Account, an additional $365,000 is transferred to the Wine Advisory Board. The remaining privilege tax revenues, along with all other revenues (primarily from liquor sales) is first used to finance Commission operations (including liquor purchases). The excess balance ($150 million in the 1999-01 biennium) is apportioned to the state General Fund (56%), and to city (34%) and county (10%) general funds. The 2001-03 budget projects gross sales of $519 million, with $112 million transferred to the General Fund.

OLCC projects that per capita consumption of distilled spirits and case sales volume will remain stable during the biennium. The combination of population growth, greater customer demand for premium, higher-priced products and rising wholesale liquor prices will cause an 8.5% increase in total dollar liquor sales. Per capita consumption is projected to level out for malt beverages at about 22.4 gallons per person and for wine at about 2.7 gallons per person. This will be accompanied by an annual 1.5% increase in population through 2003. Actual privilege tax collections in 1999-01 are estimated to be $26 million.

Even though Other Funds revenues support OLCC operations, the agency's expenditures directly affect the General Fund. Each dollar spent by the Commission represents 56 cents in liquor revenues 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 and making expenditures that are necessary to enhance the generation of revenue while maintaining a controlled distribution environment.

Governor's Budget

The Governor's recommended budget of $79,371,975 is $7.4 million or 10% higher than the 1999-01 estimated budget level and $999,805 or 1% higher than the 2001-03 current service level. The base budget is reduced $3.5 million for vacancy savings and phasing out one-time technology project expenditures and increased $6.5 million for inflation. The 2001-03 recommended budget includes reduction packages totaling $274,256 from the current service level. Program enhancements totaling $1.9 million are recommended for the Regulatory Program's administrative support services and information technology support in the Support Services and Agents Compensation programs.

OLCC – Merchandising

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	7,298,925	6,303,995	5,619,533	5,570,277
Nonlimited		44,015	2,087,000	2,087,000
Total	**7,298,925**	**6,348,010**	**7,706,533**	**7,657,277**
Positions (FTE)	48.42	48.42	48.42	48.42

Program Description

Responsibilities of the Merchandising Program all relate to liquor sales and distribution. As a “control state,” Oregon has granted the Commission sole authority to sell distilled spirits by the bottle. By marking up the wholesale price 106%, the Commission generates funds to finance its expenses and to produce revenue for state and local government general funds. There are two main divisions of the Program:

- ***Purchasing & Distribution Division*** (39.42 FTE) responsibilities include analyzing trends in customer buying and new product availability; purchasing and securely warehousing the liquor; arranging for the shipment of products to the state’s retail liquor stores; and settling claims for damaged or defective goods. The Division ensures adequate liquor inventories and a varied selection to satisfy consumer demand.
- ***Store Operations Division*** (9 FTE) oversees operation of the statewide retail liquor store system, which consists of 237 retail outlets run by contract agents. Funding for agents’ compensation is in a separate program, although it is related to the Merchandising Program.

Budget Environment and Performance Measures

The focus of the Commission has been on achieving internal operating efficiencies through improvements in technology, contracting out where cost effective and inventory cost savings.

During the 1999-01 biennium, OLCC established criteria for determining the number and location of liquor stores. OLCC added four new stores in the Portland metropolitan and Bend regions. The Commission expects to maintain the number of stores at 238 during the 2001-03 biennium, given current estimates of state population growth.

In 1993 the Legislature authorized the Commission to initiate a bailment warehouse system in which suppliers stock their merchandise in the OLCC warehouse but OLCC does not buy it until it is ready to be shipped to the retail outlet. This change resulted in a one-time revenue increase of approximately $4.5 million. Building on that one-time revenue enhancement, OLCC initiated an inventory reduction program in retail outlet stores to achieve cost savings of approximately $2.9 million during the 1999-01 biennium. Increases in liquor costs due to inflation, opening new stores, and increased consumption created a need for added inventory, and reduced OLCC’s ability to achieve the full cost savings estimated. The Commission intends to continue inventory reduction as a cost saving measure.

Performance measures for this program area were established in 1998 and include:

- Maintaining a 39% return on the state’s investment determined by the Commission’s distribution to the General Fund, cities and counties, demonstrating agency efficiency and effectiveness. Currently, the agency is achieving a 39.27% return on investment. OLCC’s projected 2001-03 budget assumes a 40% return on investment.
- Percentage of annual liquor agent performance evaluations that achieve a satisfactory or better rating, demonstrating agency effectiveness in managing retail functions. Currently, the agency goal is 99% with an achievement of 98 percent. OLCC’s projected 2001-03 budget assumes maintaining the current service level.
- Maintaining a 98% rate of liquor orders in stock when orders are placed demonstrating effectiveness of meeting customer demands. Currently, the agency is achieving 98.5 percent. OLCC’s projected 2001-03 budget assumes maintaining the current service level.
- The total number of cases received and shipped per FTE, demonstrating effectiveness in customer service and revenue generation. Currently, the agency goal is 93,000 cases per FTE and achievement is 95,084 per FTE. OLCC’s projected 2001-03 budget assumes maintaining the current service level.

Governor’s Budget

The Governor’s recommended budget of $7,657,277 is $1.3 million or 21% higher than the 1999-01 estimated budget level and $49,256 or 1% less than the 2001-03 current service level, essentially maintaining the current service level for the program. The recommended budget includes base adjustments to the Nonlimited budget for credit card fees. The 1999 appropriation bill omitted the necessary language to establish Nonlimited authority to cover credit card fees as the Legislature intended. Credit card fee transactions were recorded in a contra revenue account for the 1999-01 biennium. The 2001-03 current service level establishes a Nonlimited budget for credit card fees estimated to be $2 million.

OLCC – Regulatory

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	11,119,635	14,310,659	12,920,508	13,035,184
Nonlimited			105,147	105,147
Total	**11,119,635**	**14,310,659**	**13,025,655**	**13,140,331**
Positions (FTE)	97.33	102.00	102.00	104.00

Program Description

The Regulatory Program is responsible for regulating the manufacture, distribution and sale of alcoholic beverages. The program issues liquor licenses and ensures compliance with liquor laws and OLCC regulations. The Program consists of two divisions:

- ***Regulatory Field Services Division*** (78 FTE) staff conduct license investigations, respond to complaints, investigate liquor law violations, and work with local groups to resolve problems. There are 11 offices statewide.
- ***Regulatory Policy and Process Division*** (24.5 FTE) staff maintain records; issue and renew licenses; coordinate staff involvement in contested case hearings, develop, review, and amend administrative rules, provide technical support and training to Field Services staff, and administer the alcohol server education and minor decoy programs. The statewide Compliance Unit, which handles complex and high-risk license and enforcement cases, is included in the Regulatory Policy and Process Division.

Budget Environment and Performance Measures

The top priorities for the Regulatory Program are preventing sales to minors and visibly intoxicated persons, preventing disorderly establishments, and minimizing problems caused by alcohol businesses and their patrons near the businesses. Alcohol continues to be a major contributor in the four leading causes of death among teens and is linked to other crimes. OLCC participates in an interagency initiative led by the Office of Alcohol and Drug Abuse Programs to address the local community risk factors contributing to underage drinking, tobacco and drug abuse. The agency intends to pursue an increase in regulatory staff to support efforts to enforce underage drinking laws and to reduce the over serving of alcohol.

Legislation passed by the 1999 Legislature consolidated 13 license types into three. The agency plans to finalize centralization of licensing to allow field staff more time to work on compliance issues. While the agency has been able to respond to complaints and process licenses within 60 days, preventative field visits, education and assistance of OLCC licensees is being sidelined.

Performance measures for this program include:

- Percentage of licensed premises selling alcohol to minors, demonstrating agency effectiveness in achieving compliance. Currently, the agency goal is to have a second attempted purchase rate that is 50% lower than the first attempt rate with an ultimate goal of 15 percent. The current rate is 31 percent. OLCC's projected 2001-03 budget assumes achieving 15% with additional positions.
- Percentage of staff time devoted to the licensing process compared to compliance issues demonstrating agency efficiency and effectiveness. Currently, the agency goal is 70% of instructors to meet the 4 hour 30 minute minimum instruction time with an achievement of 81 percent. OLCC's projected 2001-03 budget assumes maintaining the current service level.
- Percent of server education instructors evaluated annually demonstrating efficiency and effectiveness. Currently, the agency goal is 70% of instructors to meet content standards as measured by covering 102 curriculum items with an achievement rate of 75% who miss no more than one of the 102 items. OLCC's projected 2001-03 budget assumes maintaining the current service level.
- Average number of contacts with licensees per inspector to educate and assist licensees in understanding and complying with liquor laws. Currently, the agency goal is 25 per month with an achievement rate of approximately twenty-three. OLCC's projected 2001-03 budget assumes maintaining the current service level.

Governor's Budget

The Governor's recommended budget of $13,140,331 is $1.1 million or 8% less than the 1999-01 estimated budget level and $114,676 or 1% higher than the 2001-03 current service level. Base budget reductions included a higher than normal adjustment of $284,030 for vacancy savings to increase contributions to the General Fund and $1.2 million to phase out a one time information services expenditure. The recommended budget includes a reduction of $40,000 in services and supplies from the current service level and a proposal to establish three positions (2.00 FTE) at a cost of $154,676 for administrative and clerical support for regulatory specialists primarily in the one- and two-person field offices. The positions are needed to free up regulatory specialists to conduct compliance work in the field and allow field offices to remain open during consistent hours of the day.

OLCC – Support Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	10,529,501	12,040,769	12,390,457	12,516,607
Nonlimited		25,501	892,765	
Total	**10,529,501**	**12,066,270**	**13,283,222**	**12,516,607**
Positions (FTE)	68.60	64.60	64.60	64.60

Program Description

The Support Services Program consists of three subdivisions:

- ***Administration*** (14.6 FTE) is responsible for overall administration of the agency; ensures that Commission and legislative policies are carried out; processes and refers cases to the Central Hearings Unit; develops administrative rules; and issues orders in all alcohol server education cases.
- ***Administrative Services*** (29.5 FTE) includes human resources management, information systems support, motor pool fleet management, non-liquor purchasing, hearings on contested cases, mail delivery, and other routine support services.
- ***Fiscal Services*** (24.5 FTE) develops and implements systems that provide fiscal accountability for Commission operations, produces and maintains fiscal records, and develops and monitors execution of the agency's budget.

Budget Environment and Performance Measures

During the 1999-2001 biennium, the Support Service Program area was restructured to accommodate transferring the administrative hearing functions to the Central Hearings Panel in the Employment Department. The Commission intends to pursue additional technology upgrades for its operating and network access systems to remain responsive to the business needs of the agency.

Performance measures for this program include:

- Percent of permanent staff receiving 20 hours or more of training. Currently the agency goal is 50% with an achievement rate of 56 percent. OLCC's proposed 2001-03 budget assumes maintaining the current service level.
- Number of time-loss claims in the agency compared to the lowest rate of the last three years. The agency's lowest rate in three years is two accepted claims, compared to three claims filed in 99-01. OLCC's proposed 2001-03 budget assumes maintaining the current service level.

Governor's Budget

The Governor's recommended budget of $12,516,607 is $450,337 or 4% higher than the 1999-01 estimated budget level and $766,615 or 6% less than the 2001-03 current service level. Base budget reductions included a higher than normal adjustment of $264,874 for vacancy savings to increase contributions to the General Fund and $260,406 to phase out an information services expenditure limitation that was funded with certificates of participation. The recommended budget also includes a reduction option to reduce services and supplies by $185,000. Funding for information technology on-going hardware and software and maintenance is recommended at a cost of $311,150. The Commission proposes that this level of funding be included in future budgets as a base level for ongoing technology system maintenance.

OLCC – Agents Compensation

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	35,471,298	38,541,532	44,356,760	45,856,760
Total	**35,471,298**	**38,541,532**	**44,356,760**	**45,856,760**

Program Description

This program includes an expenditure limitation from liquor revenues to pay contract agents who operate the state's 236 retail liquor outlets. Agents are paid monthly using a formula based primarily on store sales and on whether the store is exclusive (i.e., sells only liquor and related items) or non-exclusive (store is run in conjunction with another business, such as a drug or grocery store). Out of the compensation, 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 and Performance Measures

The rate of monthly compensation for agents was originally determined annually. In 1979 the Commission started calculating compensation monthly as a percentage of actual monthly sales. Biennial adjustments were made to this basic formula until 1980. The exclusive store formula is reviewed and adjusted every six months. The goal is to provide basic support while encouraging sound retail practices and rewarding sales performance. During the 1997 session the formula, which had been in effect since 1993, was revised to provide the following compensation:

- ***Non-exclusive stores:*** 13% of the first $10,000 of monthly sales, plus 6.69% of all monthly consumer sales (up from 5.66% in 1993-95); and 5.22% of all monthly dispenser sales (up from 4.42% in 1993-95), plus up to $118 monthly for deferred compensation if matched by the agent.
- ***Exclusive stores:*** Based on six sales classifications – 13% of the first $10,000 of monthly sales for annual sales up to $210,000, and five compensation bases ranging from $1,560 to $2,600 per month for sales between $210,000 to more than $1.65 million per year, plus 6.69% of all monthly consumer sales (up from 5.66% in 1993-95); and 5.22% of all monthly dispenser sales (up from 4.42% in 1993-95), plus up to $150 monthly for deferred compensation to the extent matched by the agent.

The expenditure limitation established by the 1999 Legislature resulted in an average compensation rate of 8.54% of forecasted liquor sales for the biennium. Agents' compensation increases when consumption increases or as prices increase. OLCC typically requests an increase in the expenditure limitation from the Emergency Board during the biennium if actual sales exceed forecasted amounts. The Commission expects population growth and rising prices to increase total dollar liquor sales by 6% in the 2001-03 biennium. Agents' compensation would also increase by the same percentage. Some agents continue to incur costs (primarily store leasing and personnel) that are purported to rise at a faster rate, putting pressure on these agents' operations. Lack of data on the Oregon agents' actual costs and related items makes it difficult to develop a precise basis for conducting a market study to determine whether the Oregon liquor agents' compensation is fair in comparison to "market". The agency intends to pursue shifting the agents' compensation from an expenditure limitation to a non-limited budget to avoid emergency board requests for increasing compensation when revenues exceed the forecasted amounts during the biennium.

No performance measures have been identified specifically for this program.

Governor's Budget

The Governor's recommended budget of $45,856,760 is $7.3 million or 19% higher than the 1999-01 estimated budget level, and $1.5 million or 3% higher than the 2001-03 current service level. The current service level reflects a 6.9% increase in agents' compensation at the existing 8.5% compensation rate generated by increased sales volume. The recommended budget provides $1.5 million to reimburse liquor store agents for installing point-of-sale systems they can use to transmit monthly inventory and order information to the OLCC main office.

OLCC – Capital Improvements

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	298,096	671,046	0	201,000
Total	**298,096**	**671,046**	**0**	**201,000**

Program Description

The Capital Improvement Program reflects Commission costs of major deferred maintenance and improvements to Commission facilities. The Commission owns an office and warehouse complex in Milwaukie, which serves as the distribution center for all bottled distilled liquor and houses most agency personnel.

Budget Environment and Performance Measures

In the past, the Commission and the Legislature have focused on implementing capital improvements that facilitate the generation of additional revenue or avoid the potential for lost revenue due to facilities or equipment breakdown. These improvements have included a major replacement of the warehouse conveyor system, warehouse heating system and parking lot upgrades.

No performance measures have been identified for this program.

Governor's Budget

The Governor's recommended budget of $201,000 is $401,046 less than the 1999-01 estimated budget. This level of funding will allow the agency to:

- replace radiator valves and traps ($75,000);
- replace climate control in computer room ($21,000);
- replace roof top heating/cooling units on the warehouse ($65,000); and
- repair office building brickwork ($40,000).

The Commission proposes this level of funding be included in future budgets as a base level for ongoing facility maintenance repair and replacements.

Public Employees Retirement System – Agency Totals

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	33,499,864	47,091,055	46,618,510	49,464,101
Nonlimited	3,010,023,256	3,187,519,305	3,625,013,878	3,625,013,878
Total	**3,043,523,120**	**3,234,610,360**	**3,671,632,388**	**3,674,477,979**
Positions (FTE)	191.70	217.08	217.08	228.08

* *Includes $4.9 million and 1.50 FTE authorized by the Emergency Board to continue a business practices reengineering and systems development project and additional support for the state's deferred compensation program.*

Program Description

The Public Employees Retirement System administers the retirement system for all state and public school district employees; and most city, county and special district employees in Oregon. The System also administers deferred compensation programs for state employees and employees of local governmental units. It is responsible for all fiduciary activities performed on behalf of system members. This includes receipt of contributions into the retirement trust and deferred compensation trust funds, retirement counseling, retirement benefit determination, and benefit payment. It is not responsible for investment of retirement system or deferred compensation plan assets. The Oregon Investment Council manages the investment of retirement system assets. Deferred compensation plan assets are managed by private fund managers.

Revenue Sources and Relationships

The System's Other Funds revenues come mainly from employer and employee contributions to the retirement system ($1.97 Billion) and retirement trust fund interest earnings ($11.36 Billion). It also assesses a charge of 0.15 of one percent of deferred compensation trust fund assets and other administrative fees assessed employers for health fund and social security administration activities. These other revenues amount to about $3.3 million.

Budget Environment and Performance Measures

The demographics of Oregon public employees suggest that retirement counseling and benefit determination will continue to increase over the next decade. During the past two biennia, the number of retirements processed increased far beyond original estimates, due in large measure to earnings credits to employee accounts. PERS now provides pension services to approximately 195,000 non-retired members and 79,000 retirees and beneficiaries compared to approximately 185,000 and 75,000, respectively, in the prior biennium. Since the last biennium, the number of participants in the Deferred Compensation program (Oregon Savings Growth Plan) has grown from 16,000 to 17,000.

Additional regulatory requirements and statutory changes affecting pensions have also made the administration of pension plans more complex. Changes to statutory benefits have caused PERS pension plan participants to be grouped as Tier One and Tier Two members. The increasing pension cost to employers has triggered discussion of yet another statutory change that would create another tier of participants. Additionally, Board actions on distribution of investment earnings and the set aside of reserves have caused a number of employers to file lawsuits (which have been consolidated into one lawsuit) against the Board and the System. A consortium of unions have entered the lawsuit on behalf of their members.

The increasingly complex administration of pension benefits, and the expectation of servicing an ever growing number of retirees and deferred compensation participants has caused PERS to undertake a substantial business practices reengineering and systems development project. Called the Oregon Pension Administration System (OPAS), the project was expected to be complete in 2005 at a cost estimated between $31-$38 million. Concerns have been expressed about total project costs and System administration acknowledges it will likely cost more than originally estimated, and expects to have better cost estimates to present during its budget hearings. The project should enable PERS to deal with the increased demand for services without an equivalent increase in staff resources.

The System measures its performance by monitoring the delivery of services against stated benchmarks. It monitors such things as the number of pension checks issued within 45 days of members' retirement, the number of counseling sessions provided, and the number and timeliness of pension benefit estimates provided. It also conducts periodic customer satisfaction surveys to help identify areas of needed improvement. Its most recent customer survey indicated that customers are well satisfied with services received. Complaints or suggestions for improvement were 2 – 4% of responses for 8 of 10 service areas surveyed and 5 – 6% for the other two. Recent statistics show that 85% of new retirees receive their check within 45 days, and 12% receive theirs within 46-90 days. The 85% is an improvement over prior years.

Governor's Budget

The Governor's recommended budget for Other Funds expenditure limitation for operations is $7.2 and $2.8 million over the 1999-01 estimate and 2001-03 current service level, respectively. The $437.5 million increase in Other Funds Nonlimited is due to increased pension benefit payouts. The Nonlimited portion of the budget is driven almost entirely by the number of retirees and beneficiaries the System serves.

The operations portion of the budget includes $1.8 million for full biennium cost of salary adjustments provided in 1999-01, and normal personnel cost increases from step adjustments and merit increases. It also includes five limited-duration staff (4.5 FTE) and an additional $2.7 million to continue work on the OPAS project. Inflation, overtime, additional AG costs, and other services and price list adjustments account for another $1.8 million of the increase. The budget continues the additional permanent position (1 FTE) approved by the Emergency Board for the Oregon Savings Growth Plan ($0.2 million). Additionally, the budget includes 10 additional FTE and $1.5 million for a number of program enhancements as follows:

Description	Positions	FTE	Amount
Reclassify nine staff and one permanent additional staff to meet demand of Oregon Savings Growth Plan	1	1.0	$162,000
Reclassify four other staff positions			$ 50,000
Reclassify one position and add two permanent additional staff for Government Relations Services	2	1.5	$172,000
Purchase microfilm machines and add one limited-duration position in Document Management Services	1	1.0	$167,000
Add one permanent position to handle increased workload in Death Services	1	1.0	$ 86,000
Additional permanent staff in Policy Analysis and Internal Audit	5	5.0	$639,000
One Limited-duration position to assist in workload and communications about beneficiary changes due to divorce decrees	1	.5	$ 53,000
Temporary staff and programming changes for pooling of local government accounts (legislation allowing pooling must be passed – see LC 657)			$119,000
Temporary staff and programming changes for change in mandatory minimum payout (legislation changing minimum must be passed – see LC659)			$ 80,000
Totals	**11**	**10.0**	**$1,528,000**

Oregon Racing Commission – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Other Funds	4,204,874	3,458,269	3,544,904	4,111,571
Positions (FTE)	18.30	18.97	17.68	17.68

Program Description

The Oregon Racing Commission regulates all aspects of the pari-mutuel industry in Oregon. The Commission oversees racing at the Portland Meadows Racetrack, the Multnomah Greyhound Park, the Oregon State Fairgrounds, and at several county fair race sites. The Commission also regulates the off-site simulcast of races. The program ensures the integrity of the sport, and the safety of the contestants, public and animals. The Commission's goals include fairness to all parties, and a positive impact on the economy. Regulatory activities of the Commission include licensing, inspections, and investigations of irregularities.

Revenue Sources and Relationships

Revenues are derived from three sources: 1) the state share of wagering receipts; 2) unclaimed winnings; and 3) license fees and licensee fines. The state's share is 1% of the total bets at horse racing tracks, and 1.6 % of the total bets at dog racing tracks. Total revenues have been declining over the past ten years. Revenues declined from $8.6 million in the 1991-93 biennium to $4.2 million in 1999-01. Revenues received in excess of the Commission's expenses are transferred to the General Fund. The amount that was transferred to the General Fund also declined from $3.2 million in 1991 to $53,979 in 1999. In addition, the Legislature in 1995-97 and 1997-99 supplemented revenue with Lottery ($300,000 in 1995) and General Fund ($493,800 in 1997) for purses at county fair race meets.

ORC Revenues	1997-99 Actual	1999-01 Estimated	2001-03 Gov.'s Rec.
Beginning Balance	766,771	706,306	709,290
General Fund	493,800	0	0
Licenses and Fees - Hub	70,000	376,220	294,000
Licenses and Fees - Tracks	186,800	171,870	171,870
Unclaimed Winnings / Other	742,311	720,757	733,600
State Pari-Mutuel Tax - Hub	0	161,936	1,000,000
State Pari-Mutuel Tax - Tracks	2,748,431	2,084,449	2,565,504
Transfer to General Fund	(96,933)	(53,979)	(833,333)
Total	**4,911,180**	**4,167,559**	**4,640,931**

The 1997 Legislature authorized the establishment of Multi-jurisdictional Simulcasting and Interactive Wagering Totalizer Hubs in Oregon and provided that up to 1% of gross wagering receipts, which is the pari-mutuel tax, could be collected. One-third would be transferred to the General Fund. The Racing Commission retains the remaining two-thirds, to be used for "the benefit of the Oregon pari-mutuel racing industry." The Commission, by rule, established a collection of .25 % of the pari-mutuel Hub tax, and estimates $333,333 in General Fund revenue of from that source. The Commission is also authorized to collect a license fee of $200 per operating day from the Hubs.

The 2001-03 increase in Racing Commission revenue is attributable to estimated Hub revenue. However, this estimate may be optimistic. 1999-01 revenues reflect the phase-in of Hub activity, and may understate potential revenue. Nonetheless the Racing Commission is projecting that this revenue will increase by 58%, from $538,156 in combined license and pari-mutuel tax revenue in 1999-2001 to $1,294,000 in 2001-03. Since two-thirds of Hub pari-mutuel tax is dedicated to support the racing industry, an optimistic projection could unrealistically raise expectations regarding the level of industry support that may be available.

Budget Environment and Performance Measures

The Oregon racing industry continues to struggle, and the Commission forecasts a static level of simulcast and live pari-mutuel wagering into the 2001-03 biennium. The industry is experiencing problems nationwide, and in Oregon these problems are exacerbated by increased competition from expanding Oregon lottery games and tribal casinos. The uncertain status of horseracing at Portland Meadows exacerbates this problem, and there is currently no permanent resolution of ongoing facility and environmental issues.

Off-track and out-of-state simulcasting constitutes an increasingly larger proportion of betting receipts, and all new revenue increases are occurring as a result of off-site wagering on the dog-and-horse-racing Hubs. The Commission and the pari-mutuel industry have struggled with the issue of allocating simulcasting rights since 1991 and have been unable to find a satisfactory policy for all interests.

The status of horseracing at the Oregon State Fairgrounds is also uncertain. The Oregon State Fair is in financial difficulty, and cannot facilitate a commercial race meet without simulcast revenue. Live race meets are not self-supporting, and prior commercial race meets have actually resulted in a net revenue loss to the Fair. The 1999-2000 Task Force on the Oregon State Fair adopted a recommendation to discontinue horseracing at the Fairgrounds unless the races generate revenue. Because current Commission rules distribute simulcast revenue to Portland Meadows and Multnomah Kennel Club commercial racetracks, it is unlikely that the Fair will receive simulcast revenue, and as a result, racing at the Fairgrounds cannot generate sufficient revenue. However, without State Fairgrounds and county fair meets, the industry lacks a year-round race schedule, which is essential for the continuation of live horserace meets.

To reduce financial pressures on the tracks, the Legislature reduced the state's take from pari-mutuel wagers. In 1993, the share for horse racing was reduced from 3% to 1%, and the share for greyhound racing was reduced from 6% to 3 percent. In the 1996 Special Session, the Legislature reduced the share for greyhound racing from 3% to 1.6 percent. In 1997, the Emergency Board allocated $493,800 General Fund and approved an $1.1 million Other Funds expenditure limitation increase to supplement race meet purses, to make race track safety repairs, and to establish simulcast feeds to off-track betting sites.

The Racing Commission does not maintain performance measures. However, the Commission keeps a variety of weekly, annual, and race-track-specific statistics on race meets, including the number of race days, injuries, and suspensions for drugs and other issues. This data relates to the workload of the agency, and the agency also calculates effectiveness from ratios generated by this data.

Governor's Budget

The Governor's Budget funds the Commission at the current service level and adds $566,667 in expenditure limitation for potential Hub revenue. This is an increase of $150,000 above the limitation requested by the Commission. In addition, the Governor's Budget assumes an additional $500,000 in General Fund revenue will be transferred by the Commission, raising the total General Fund revenue to $833,333. Current revenue projections from the Hubs indicate a total General Fund transfer in 1999-01 of less than $60,000. Based on the revenue collection history to date, it is unlikely that this revenue level will be achieved. Therefore, in order to make the additional General Fund transfer, the Commission's ending fund balance will be reduced to $529,360, which is just over three months of operating funds.

Department of Revenue (DOR) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	94,510,554	111,265,185	113,145,488	118,133,103
Other Funds	14,031,053	17,578,310	16,556,512	19,378,417
Nonlimited	152,176	186,544	186,544	186,544
Total	**108,693,783**	**129,030,039**	**129,888,544**	**137,698,064**
Positions (FTE)	896.18	929.09	896.37	949.37

** The current service level budget differs from the Governor's current service level budget, which does not include in its calculation a $4.5 million reduction and elimination of 50 positions. The Governor's budget reflects the reduction as a policy option package.*

The Department of Revenue administers the State's income tax and property tax programs. In addition, the Department collects revenue from a variety of sources and transfers it to various state and local agencies. These revenue sources include taxes on: a) cigarettes and other tobacco products; b) amusement devices; c) payroll (for local mass-transit); c) timber, oil, and gas severance; and d) the harvesting of forest products. The Department also collects and distributes hazardous substance fees, court fines and assessments, and taxpayer check-off donations; serves as the collection agency for fines, forfeitures, and assessments owed to state agencies; and administers property tax relief programs for senior citizens and persons with disabilities. Altogether, the tax programs the Department administers generate 95% of General Fund revenue and 90% of local government revenue.

Revenue Sources and Relationships

The Department is mainly supported by the General Fund. Other Funds revenue is derived from charges to various Other Funds tax, fee, assessment, and other programs to cover the Department's administrative costs. Charges are based on time studies that determine the cost to each division of administering these programs. Other Funds also are received from the Assessor Funding Program. This program provides revenue to both the Department and to county governments from interest paid on delinquent property taxes and from a document-recording fee. A portion of each recording fee ($1) is dedicated to the development of a statewide mapping system (ORMAP) to improve the administration of the property tax system. These funds are distributed to counties for projects to meet that goal.

The following table displays sources and amounts of estimated Other Funds revenues for 1999-01:

SOURCE	**1999-01 ESTIMATED**
Employer-Employee Taxes (primarily Tri-Met and Lane Districts)	$ 5,238,146
State Agency Collections	$ 4,052,255
Timber Privilege Taxes	$ 3,450,000
Assessor Funding Program	$ 3,246,578
ORMAP	$ 1,125,000
Senior and Disabled Citizens' Property Tax Deferral	$ 942,651
Other Business Fees (including hazardous substance fees, petroleum load fees, and dry cleaning fees)	$ 542,016
Fines and Assessments	$ 578,181
Other Tobacco Products Tax (products other than cigarettes)	$ 249,051
Other Taxes (emergency communications; gas and oil production)	$ 190,823
Miscellaneous (includes Department's kicker cost reimbursement of $885,000)	$ 1,164,676
TOTAL REVENUES	**$ 20,779,377**

Budget Environment and Performance Measures

The Department projects modest population and economic growth for the 2001-03 biennium. Over the past several biennia, the Department has been successful in addressing funding constraints and increased workloads by developing and enhancing automated systems, implementing an aggressive employee training program, reorganizing, and revising operating procedures.

The Department has established two performance measures related to the income tax programs, the activities of which are carried out in several program units such as the Personal Tax and Compliance Division, the Business Division, the Information Processing Division, and the Administrative Services Section. The first measure reflects efficiency by tracking the cost per document filed. This includes costs for processing and examining returns, collection activities, dispute resolution, and taxpayer education and assistance. The Department's goal is $5.65. For 1997-99, the actual cost was $5.77. For 1999-01, the projected cost is $5.96. The Department attributes this increase to staff added in 1999-01 to increase revenue collections. However, the overall trend since 1992 has been downward.

The second measure reflects effectiveness by monitoring the percentage of voluntary taxpayer compliance in reporting adjusted gross income (AGI). The Department's goal is 95 percent. The Department projects 84.2% of AGI will be reported for 2000. To calculate total AGI, the Department uses Bureau of Economic Analysis (BEA) personal income data. Since the BEA estimates account for all Oregonians, this will include residents with income below the minimum filing level. Thus this measure tends to overstate underreported income.

Currently, 89% of Oregon's income taxes are paid voluntarily; the Department collects another 2% through audit and collection; and the remaining 9% are not paid and represent the "Tax Gap."

Governor's Budget

The Governor's budget is a 6.7% increase over 1999-01 estimated expenditures (6.2% General Fund and 10.1% Other Funds) and a 6% increase over the current service level budget (4.4% General Fund and 16.9% Other Funds). It eliminates 50 positions (35.45 FTE), mainly clerical, and $4.5 million total funds from the budget, in part as a result of efficiencies such as new technology. This reduction is not expected to affect the Department's level of services in the short-term (i.e., in the 2001-03 biennium). However, the long-term impact, especially from reductions in other services and supplies, may be a reduced level of services.

The budget adds a taxpayer compliance package at a cost of $3.9 million ($3,895,826 General Fund and $46,987 Other Funds) and 39 positions (37 FTE), primarily tax auditors and revenue agents, to improve tax collections through assistance, education and enforcement activities. The package is expected to generate approximately $18.5 million General Fund for the State (but no additional funds for local governments).

DOR – Executive Section

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	2,483,058	1,770,685	1,813,827	1,813,827
Other Funds	37,360	88,597	54,177	54,177
Total	**2,520,418**	**1,859,282**	**1,868,004**	**1,868,004**
Positions (FTE)	7.65	7.65	6.00	6.00

Program Description

The Executive Section is responsible for overall administration of the agency and for coordinating the agency's legislative, rulemaking, and internal audit functions.

Governor's Budget

The Governor's budget is a slight increase (0.5%) over 1999-01 estimated expenditures and maintains the current level of services. Increases for inflation and personnel costs are provided but are offset largely by a reduction of $215,208 ($168,384 General Fund and $46,824 Other Funds) due to elimination of two positions (1.65 FTE). Certain duties of these positions will be reassigned within the Department.

DOR – Administrative Services Section

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	3,684,912	3,493,748	3,499,151	3,499,151
Other Funds	1,057,631	1,102,454	375,809	375,809
Total	**4,742,543**	**4,596,202**	**3,874,960**	**3,874,960**
Positions (FTE)	42.06	33.51	31.01	31.01

Program Description

The Administrative Services Section provides personnel, budget, communications, research, and publication services for the agency and accounts for the receipt and distribution of all tax revenues. Responsibilities also include conducting research for revenue projections.

Budget Environment and Performance Measures

The 1995 Legislature transferred the handling of tax appeals from the Department to a newly created Tax Magistrate Division in the Oregon Tax Court for appeals filed on or after September 1, 1997. As a result, the Appeals Section within this program area was phased out in the 1997-99 biennium. Higher Attorney General charges that were anticipated as cases were transferred to the more formal Magistrate Division setting have not materialized due to the lower-than-expected number of appeals.

Performance measures for this section are discussed in the department-wide "Budget Environment and Performance Measures" section.

Governor's Budget

The Governor's budget, which maintains the current service level, is a 15.7% decrease from 1999-01 estimated expenditures. This is due primarily to a reduction in Other Funds for phasing out the Department's 1999-01 costs for issuing kicker refund checks. Increases for inflation and personnel costs are offset largely by a reduction of $228,371 ($222,874 General Fund and $5,497 Other Funds) due to elimination of three word processing positions (2.50 FTE) and related services and supplies.

DOR – Information Processing Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	29,247,301	32,000,579	34,726,830	35,177,653
Other Funds	3,837,057	3,923,692	3,700,712	3,708,834
Total	**33,084,358**	**35,924,271**	**38,427,542**	**38,886,487**
Positions (FTE)	289.98	302.26	287.34	290.84

Program Description

The Information Processing Division provides computer processing systems and support services to the agency's other divisions, processes incoming tax returns, scans returns for errors, processes and banks tax payments, enters and transfers taxpayer data to computer storage, maintains information files, and provides help to taxpayers by telephone (Tax Help Section) and through information publications. This division also provides the Department's purchasing, facilities management, and accounting and other fiscal support.

Budget Environment and Performance Measures

Historically, the Division's activities have been carried out in a high-volume, production-type environment. As the Department adds new systems and becomes more dependent on automation, well-trained and experienced information systems staff are needed to maintain computer systems. According to the agency, the rapid increase in computer-related salaries in the private sector has made it difficult to attract and retain skilled information systems staff.

Performance measures for this section are discussed in the department-wide "Budget Environment and Performance Measures" section.

Governor's Budget

The Governor's budget is an 8.2% increase over 1999-01 estimated expenditures and a 1.2% increase over the current service level budget. The current service level budget includes a reduction of $1.6 million ($1,532,219

General Fund and $28,821 Other Funds) due primarily to elimination of 33 positions (15.87 FTE), resulting from process improvements implemented during 1999-01 and earlier. The budget adds $355,924 General Fund and 5 positions (3.5 FTE) as part of the taxpayer compliance package. It also adds $94,899 General Fund and $8,122 Other Funds for increased costs in federal bulk mailing rates.

DOR – Property Tax Division

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	13,411,543	19,750,969	19,796,681	19,796,681
Other Funds	3,986,400	6,329,743	5,221,908	7,988,704
Total	**17,397,943**	**26,080,712**	**25,018,589**	**27,785,385**
Positions (FTE)	144.29	140.46	137.71	144.71

** Estimated Other Funds expenditures for 1999-01 include $1.125 million added by a November 2000 Emergency Board action.*

Program Description

The Property Tax Division oversees the property tax system and ensures that counties comply with all property tax laws and rules. To these ends, the Division develops procedures, advises and trains county staff, and conducts reviews of county actions. Responsibilities also include conducting appraisals on all industrial manufacturing plants valued at $1 million or more (currently valued at a total of $15.9 billion); appraising all utility, transmission, communication, and transportation properties (currently valued at $12.5 billion); and administering several timber tax programs.

The Division also oversees ORMAP, a project to develop the statewide base mapping system mandated by House Bill 2139 (1999) for improvement in the administration of the property tax system.

Budget Environment and Performance Measures

In 1989, the Legislature created the Assessor Funding Program to supplement funding of property tax assessment and taxation functions. The Department uses its portion of the funding for appraising industrial properties valued between $1 million and $5 million, for training county personnel, and for conducting performance reviews of county programs.

House Bill 2139 from the 1999 legislative session extended the Assessor Funding Program. The bill modified the sources of funds for this program slightly: it retained the interest rate charged on delinquent property tax accounts, with a portion (generally 25%) of the interest collected transferred to the program, but reduced a document recording fee from $20 to $11 while expanding the base of documents subject to the fee. The legislation provides that the Department receives up to 10% of the moneys in the County Assessment and Taxation Fund to pay for its appraisal of industrial properties and oversight of the property tax system. From 1990 to 2000, the Assessor Funding Program has distributed $133 million to counties to help meet their assessment and taxation administrative costs and $15 million to the Department for administrative expenses. Finally, House Bill 2139 dedicates $1 of each document recording fee to the statewide mapping system. This fee is expected to generate approximately $2 million biennially.

The Department views the Assessor Funding Program as an important tool in implementing Measure 50, which requires that property values be on the assessment rolls at real market value. The focus for the 2001-03 biennium is on continuing assistance to counties in adapting to the Measure 50 system. The system is more complex than originally thought. For example, Measure 50 requires counties to carry multiple values on the tax roll and, in some cases, as many as seven different values have to be tracked for one property.

The Department has established as a performance measure of *efficiency* for this program the annual cost (combined state and local) per property tax account. This includes costs for appraisals, appeals, tax collection, processing and compliance activities. The Department recognizes this measure can be affected by factors outside of its control. The Department's goal is $39.20 per account. The actual cost per account for 1997-99 was $41.11. The projection for 1999-01 is $42.83. Overall, state costs have dropped while county costs have increased about $3.00 per document, primarily due to the complexities of implementing Measure 50. The Department is in the process of evaluating ways to measure the *effectiveness* of the property tax system.

Governor's Budget

The Governor's budget is a 6.5% increase over 1999-01 estimated expenditures and an 11.1% increase over the current service level budget. The nominal increase in General Fund support reflects a reduction of $790,314 due to elimination of three positions (5 FTE), resulting from changes in the timber and harvest tax program as well as a transfer of expenditures more appropriately budgeted in another of the Department's divisions.

The Governor's budget adds Other Funds expenditure limitation as follows:

- $514,796 and seven positions (7 FTE) to provide support to counties and other local governments for administration of the statewide property tax system and other locally administered tax programs as well as to the Division's Industrial and Utility Valuation Section for valuing large industrial and centrally assessed utilities;
- $2 million to disburse mapping fees generated through House Bill 2139 for local projects that support the development of the statewide digital base map system; and
- $252,000 for increased costs to record liens in the Senior Citizens' and Disabled Citizens' Property Tax Deferral program, which is administered by the Property Tax Division.

DOR – Personal Tax and Compliance Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	25,936,499	32,312,823	32,593,554	35,010,345
Other Funds	947,888	1,412,680	1,542,315	1,579,726
Total	**26,884,387**	**33,725,503**	**34,135,869**	**36,590,071**
Positions (FTE)	270.62	293.26	286.41	309.91

Program Description

The Personal Tax and Compliance Division administers the personal income tax program. Responsibilities include auditing and encouraging voluntary compliance for the personal income tax, collecting delinquent personal income taxes, and collecting local option taxes. In addition, the Division administers the Elderly Rental Assistance Program.

Budget Environment and Performance Measures

The Division's workload has been increasing over time as the state population grows and more personal income tax returns are filed. Approximately 6.1% more returns were filed for 1999 than for 1996. Of this increase, traditional paper returns have decreased by 5.4% and electronic filings have increased by 191 percent. The Division has added and improved automated systems to help handle the growth as well as the change in filing methods. Workloads are also increasing as more taxpayer data becomes available from federal and other sources. The number of delinquent accounts is expected to increase (from 213,100 as of July 2000). The Department expects to address collection issues through re-engineering of existing systems and processes and through nine positions added by the 1999 Legislative Assembly to enhance revenue collections. The Department plans to report to the 2001 Legislative Assembly on its success in meeting the goals for revenue generation from these additional positions.

Performance measures for this section are discussed in the department-wide "Budget Environment and Performance Measures" section.

Governor's Budget

The Governor's budget is an 8.5% increase over 1999-01 estimated expenditures and a 7.2% increase over the current service level budget. The relatively small increase from 1999-01 estimated expenditures to the current service level budget reflects a reduction of $1,073,486 General Fund through elimination of six positions (6 FTE) due to process improvements, as well as a transfer of expenditures more appropriately budgeted in another of the Department's divisions. As part of the taxpayer compliance package, the budget adds 24 positions (23.5 FTE), primarily tax auditors and revenue agents, at a cost of $2.5 million ($2,416,791 General Fund and $37,411 Other Funds).

DOR – Business Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	9,542,401	12,186,380	11,715,444	13,835,445
Other Funds	4,164,717	4,721,144	5,661,591	5,671,167
Total	**13,707,118**	**16,907,524**	**17,377,035**	**19,506,612**
Positions (FTE)	141.58	151.95	147.90	166.90

Program Description

The Business Division administers several tax programs, including corporate income and excise taxes, the employer withholding tax, the transit payroll and self-employment taxes, the fiduciary and inheritance taxes, and other agency accounts and special programs. Responsibilities include auditing tax returns and collecting delinquent taxes and other delinquent accounts. The Division also provides debt collection services for state and local agencies and for state and municipal courts in all 36 counties.

Budget Environment and Performance Measures

Currently, the Division is collecting on 214,500 accounts owed to 194 state agencies. The number of delinquent accounts is expected to increase. The Division is using more automation to help handle workload growth. Additionally, the 1999 Legislative Assembly added seven positions to enhance revenue collections. The Department will report to the 2001 Legislative Assembly on its success in meeting the goals for revenue generation from these additional positions.

This division also collects revenues from cigarette tax stamps. In 1997-99, revenues of $357 million were generated. During 1999-01, revenues are expected to be approximately $290 million. The Department reports that, although the Oregon Health Division reports a reduction in the number of smokers in Oregon, the drop in the number of cigarette tax stamp sales appears to be in part due to noncompliance issues.

Performance measures for this section are discussed in the department-wide "Budget Environment and Performance Measures" section.

Governor's Budget

The Governor's budget is a 15.4% increase over 1999-01 estimated expenditures and a 12.3% increase over the current service level budget. The current service level budget reflects a reduction of $617,095 (-$933,117 General Fund offset by a fund shift of $315,212 to Other Funds) due to the elimination of three positions (4.43 FTE). The budget adds $1.1 million ($1,123,111 General Fund and $9,576 Other Funds) and 10 positions (10 FTE), primarily tax auditors and revenue agents, for the taxpayer compliance package.

The budget also adds $996,890 General Fund and nine positions (9 FTE) to increase compliance with the cigarette tax stamp program. This package is expected to generate $7.1 million in additional revenues per biennium, distributed as follows: General Fund, $2.35 million; Oregon Health Plan, $3.85 million; Oregon Health Division, $300,000; cities and counties, $400,000; and Oregon Department of Transportation's Elderly and Disabled Transport Program, $200,000.

DOR – Multistate Tax Commission

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
Nonlimited	152,176	186,544	186,544	186,544
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

Through the Department of Revenue, Oregon is a member of the Multistate Tax Commission, which is composed of 40 states that have joined together to promote uniformity in state taxation of corporate income. Dues to the Commission are proportional to the amount of tax revenue each state collects. The budget reflects the nonlimited expenditure for these dues.

Budget Environment and Performance Measures

The Commission expects to maintain its current level of services to members. The Department does not have performance measures for this program.

Governor's Budget

The Governor's budget continues the current service level.

DOR – Elderly Rental Assistance

	1997-99 Actual	1999-01 Estimated *	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	10,204,840	9,750,000	9,000,000	9,000,000
Positions (FTE)	0.00	0.00	0.00	0.00

** Estimated expenditures for 1999-01 include $750,000 added by a September 2000 Emergency Board action.*

Program Description

The Elderly Rental Assistance program provides direct tax relief to elderly, low-income renters. Benefits are based on income levels and the amount of rent, fuel, and utilities paid. The benefits are available to renters age 58 or over with household income under $10,000, household assets (if under age 65) that do not exceed $25,000, and gross rent in excess of 20% of household income. Through this program, payments also are made to local governments in lieu of property taxes on certain tax-exempt housing for the elderly.

Budget Environment and Performance Measures

The program has experienced a steady decline in payments to renters over the last several biennia. In part this is because, as the Oregon economy has improved, fewer individuals meet the program's eligibility criteria (which are not indexed to inflation). The agency expects this decline may level off in the 2001-03 biennium. In addition, payments in lieu of property taxes on certain tax-exempt housing for the elderly are expected to increase.

The Department does not have performance measure for this program.

Governor's Budget

The Governor's budget is a 7.7% decrease (-$750,000 General Fund) from 1999-01 estimated expenditures. The current service level budget does not reflect current Department projections for this program's funding needs, which are in excess of $10 million. Funding at the level in the Governor's budget will mean the Department will need to reduce assistance payments to renters on a pro rata basis.

DOR – Senior Citizens' and Disabled Citizens' Property Tax Deferral

	1997-9 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	1	1	1
Positions (FTE)	0.00	0.00	0.00	0.00

Program Description

The Senior Citizens' Property Tax Deferral portion of this program allows homeowners age 62 and over who meet program income limits to defer payment of property taxes and special assessments until the owner dies, sells the property, or stops using it as a principal residence. The state pays the tax and obtains a lien on the property for the tax and for accrued interest at the rate of 6% per year. The deferred taxes and interest are collected when the property is disqualified. Moneys received as properties are disqualified and their deferred taxes are paid finance the taxes the State pays under the program.

The 1999 Legislature expanded this program through House Bill 2901, granting eligibility to disabled persons with household incomes of less than $27,500. This expansion becomes effective July 1, 2001.

Budget Environment and Performance Measures

The Senior Citizens' component of the program has expanded from 834 accounts in 1978 to 10,500 in 1999, with over $100 million deferred.

The General Fund makes up any shortfall in the program. Currently it is self-supporting and no shortfall is anticipated this biennium. The projected ending balance at June 30, 2001 is $28 million.

House Bill 2901 will have an impact on the program's reserves. Because the criteria for eligibility do not include age, recovery of the taxes paid by the State will take longer, thus putting demand on reserves and possibly creating a need for General Fund support of the program. During the 1999 legislative session, the Department estimated that implementation of House Bill 2901 would decrease reserves by approximately $10 million by the end of the 2001-03 biennium. It also predicted a need for General Fund support of the program in 2003-05. This estimate has not changed. The Department is anticipating about 2,000 applications under House Bill 2901 in the first year.

The Department incurs costs for recording the lien documents for this program. These expenditures are included in the budget of the Property Tax Division.

The Department has not established performance measures for this program.

Governor's Budget

A one-dollar General Fund appropriation is provided for the program to highlight the State's responsibility for payments should they become necessary.

Secretary of State (SOS) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended *
General Fund	10,844,271	11,858,258	11,300,240	11,029,034
Other Funds	21,235,273	23,608,379	24,555,753	28,005,813
Federal Funds	0	0	1	1
Nonlimited	86,417	103,788	166,678	166,678
Total	**32,165,961**	**35,570,425**	**36,022,672**	**39,201,526**
Positions (FTE)	198.42	201.42	199.67	212.67

** Historically, the Governor's recommended budget has accommodated the entire agency request for agencies exempt from the Governor's budget review (Legislative and Judicial Branches, Treasurer of State, and Secretary of State). The 2001-03 Governor's recommended budget, while making no specific recommendations, funds only 97.6% of the General Fund current service level for the Secretary of State. The net effect is a $2.3 million reduction to the Secretary of State's General Fund budget request.*

The Office of the Secretary of State is one of three established at statehood. The Secretary is auditor of public accounts, chief elections officer and 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 Treasurer of State on the State Land Board, managing state-owned lands for the benefit of the Common School Fund. With the Governor and the Treasurer of State, the Secretary of State also serves on the Prison Industries Board, which oversees prison work programs.

Revenue Sources and Relationships

Other Funds revenues are dedicated to the programs that generate them. Service charges from other state agencies fund the Audits Division, and Corporation filing fees fund the Corporation Division. The Archives Division receives Other Funds revenue from the sale of administrative rules and the Oregon Blue Book. It also charges other state agencies for storage of their records. Internal service divisions' Other Funds are revenue transfers from those divisions they support.

Budget Environment and Performance Measures

The Secretary of State is a separately elected, constitutional office. However, the Office has adopted the 1999-01 budget development guidelines established by the Department of Administrative Services. The operations (and budgets) of two of its divisions are affected by forces outside of their control. These are the Elections Division and the Corporation Division. The Elections Division's budget is almost all General Fund and is affected by ballot measures, special elections, election litigation, and the voters' pamphlet's volume and complexity. The Corporation Division is affected by services demanded by the public. The Division is responsible for processing filings of business entities, trademarks, Uniform Commercial Code (UCC) financing statements, and responding to requests for information on existing businesses, UCC filings, notaries and notary commissions, and requests for information to start a business. Operations of the other divisions and offices are less affected by outside forces and their budgets are somewhat more controllable as a result.

SOS – Executive Office

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	1,031,123	1,106,890	1,157,211	1,157,211
Positions (FTE)	6.00	6.00	6.00	6.00

Program Description

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 are responsible for strategic planning, policy development, and legislative and press relations. In addition, the office staffs the State Land Board.

Governor's Budget

The Secretary of State's budget request for the Executive Office is only to fund its current service level. The $51,000 increase over 1999-01 estimated expenditures is for increased personnel costs ($37,000) and inflationary adjustments for services and supplies ($14,000). If the Governor's recommended General Fund reduction of

2.4% is applied to the Executive Office, it would reduce the amount requested by $27,773 and result in a budget of $1,129,438.

SOS – Archives Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	2,737,486	3,183,425	3,579,679	3,584,985
Other Funds	852,623	841,905	1,235,936	1,536,977
Federal Funds	0	0	1	1
Nonlimited	36,963	38,488	99,288	99,288
Total	**3,627,072**	**4,063,818**	**4,914,904**	**5,221,251**
Positions (FTE)	21.17	21.92	22.17	23.17

Program Description

The Archives Division stores public records, protects and provides public access to Oregon's documentary heritage. The Division also gives records management advice and assistance to state and local agencies and publishes the state's administrative rules. Services are provided by its Reference, Records Management, State Records Center, and Publications units.

Revenue Sources and Relationships

The Other Funds revenue is from the sale of annual Oregon Administrative Rules Compilation ($300 each); the monthly Oregon Bulletin ($75/year) which provides monthly updates to the Compilation; and the Oregon Blue Book ($14 each). The Division also assesses other state agencies for records they have stored at the State Records Center. The Division estimates these revenues will amount to $1.5 million for the 2001-03 biennium. Miscellaneous receipts for document copies are expected to generate an additional $85,000. There is also a small trust fund from the estate of Ernest E. Baker for supplemental reference materials. The Federal Funds request is a placeholder for possible receipt of funds from the National Historical Publications and Records Commission.

Budget Environment and Performance Measures

Reference activities are driven by demand for services. Automation has enabled customers to do much of their own research. Staff responsibilities have shifted to help customers exchange information and structure requests for services to insure prompt, accurate responses. Records Management and State Records Center activities are driven by government demand for records retention and disposal services. The Publications Unit publishes the Oregon Blue Book biannually, and publishes updates to Oregon administrative rules as they are adopted by various agencies.

As a service agency, the Archives Division measures its performance by its ability to respond to requests, assist state agencies with records management through timely delivery of records management advice and services, timely destruction of records whose retention has expired, and meeting publication schedules for the growing number of administrative rules.

Governor's Budget

The Division's budget request is for its current service level with two additional Policy Option Packages. The increase over 1999-01 estimated expenditures is due, in part, to personnel cost increases from legislatively approved position reclassifications and full biennium effect of 1999-01 salary adjustments. Additionally, 1999-01 estimated expenditures are reported as $360,000 less than budgeted because good cost estimates of some planned program expenditures were not available when the budget was submitted. The request includes one additional position and $301,000 Other Funds expenditure limitation for expansion of the State Records Center and an additional $5,300 General Fund to reclassify one Archivist position to deal with issues surrounding electronic records. If the Governor's recommended General Fund current service level reduction of 2.4% is applied to the Division's request, it would reduce the amount requested by $91,218 and produce a budget of $3,493,767.

SOS – Audits Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	0	0	0	214,879
Other Funds	9,646,127	11,213,257	12,374,696	12,384,067
Total	**9,646,127**	**11,213,257**	**12,374,696**	**12,598,946**
Positions (FTE)	79.00	78.00	78.00	80.00

Program Description

The Audits Division was created to carry out the Secretary's constitutional duties as auditor of public accounts. The Division performs, or contracts for, financial and compliance audits and performance audits of state agencies.

Revenue Sources and Relationships

The law requires the Division to recover its costs for the audits from the agencies. Most state agencies pay for audits through a biennial assessment based on an analysis of audit risk and resources needed to audit that risk. Certain state agencies whose operations are predominately funded with dedicated trust funds (e.g. Department of Transportation and Public Employees Retirement System) are billed directly for audit costs. It expects these assessments and billings to approximate $15.8 million for the biennium. The Division estimates that it will receive $258,500 in filing fees from about 1,700 municipal corporations for the audit reports statutorily filed with the Division. Endowment care cemeteries and persons who market prearranged funeral plans are required to pay various fees for registrations and filings with the Division. These fees and interest earned on the Funeral Consumer Protection Trust Fund are expected to generate $153,500.

Budget Environment and Performance Measurement

As the constitutional auditor of public accounts, the Secretary of State does not have to compete with private sector auditors and is able to recover all of its costs through assessments and billings. Agencies may not challenge their assessments or billings, nor can they choose not to be audited by the Secretary of State. The Audits Division budget is affected only by legislative action on its budget request.

The Division measures its performance principally by the value of its audit reports. The Division reports that it has begun systems to quantify benefits from audits and assess its audit reports. Implementation of audit recommendations for cost savings, efficiency gains, improved services, and other benefits contained in its audit reports will be tracked over time to assess their effectiveness. Audit report usefulness and readability will be evaluated by surveying report users and agencies.

Governor's Budget

The Division's budget request includes two additional positions, $215,000 General Fund, and additional $9,000 Other Funds expenditure limitation to help municipalities implement a new comprehensive financial reporting requirement. The Division's requested increase of $1.4 million over the 1999-01 estimate is the result of the two requested positions ($224.000), personal service cost increases resulting from a full biennium of phased-in 1999-01 cost-of-living pay adjustments and merit pay increases ($432,000), inflation cost increases for services and supplies ($129,000), and estimated cost savings of $600,000 in the 1999-01 biennium. The Governor's recommended budget adjustment provides no General Fund for the two additional positions.

In addition to the $12.4 million Other Funds expenditure limitation, $2,382,000 of Audits revenue is transferred to and expended by other divisions to support the Audits Division. Included in the transfer is $652,000 for enhancements to Information Systems Division support; $300,000 to complete a risk assessment system approved by the 1999 Legislative Assembly; and $352,000 for two additional Information Systems Division staff for Audits Division work and for position reclassifications in the Information Systems Division. Also, $33,000 will be transferred to the Business Services Division to help fund a new procurement manager position in that division.

SOS – Business Services Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	398,806	535,800	571,758	602,424
Other Funds	1,309,786	1,604,035	1,707,857	1,818,049
Total	**1,708,592**	**2,139,835**	**2,279,615**	**2,420,473**
Positions (FTE)	14.00	16.00	16.00	17.00

Program Description

The Business Services Division provides central accounting and other administrative support services for the other divisions of the Office of the Secretary of State. The Division previously provided data processing and personnel support services which are now provided by the Information Systems Division and Personnel Resources Division, respectively.

Revenue Sources and Relationships

The Other Funds consist of revenue transfers from the Other Funds expenditure limitations of agency divisions served by the Business Services Division. The transfers are based on estimates of the number of accounting entries, full-time equivalent positions, and time spent by Division staff on each of the divisions.

Budget Environment and Performance Measurements

The Business Services Division's budget reflects the activities of the other divisions. As a service agency, it measures its performance by its ability to provide services and support to the other divisions. It evaluates its performance through the use of customer surveys and meetings with divisions. It's objective is to best provide customer service by addressing priority issues, and being able to address changes in workflow and customer needs.

Governor's Budget

The Division's budget request includes one additional position to manage procurement. The Business Services Division Director and Contracts Officer currently share procurement management responsibility. The additional $141,000 needed to fund the position would come from $31,000 General Fund and $110,000 Other Funds ($33,000 from Audits Division, $75,000 from Corporations Division, and $2,000 from the State Records Center). The other increases in the Division's budget request ($139,000) are for inflationary cost increases and normal personnel cost increases to maintain its current level of services. If the Governor's recommended General Fund reduction were applied to the Division's budget request, it would result in a $44,398 decrease of the General Fund request to $558,026.

SOS – Corporations Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
Other Funds	5,850,036	6,232,044	6,264,453	6,264,453
Positions (FTE)	43.50	44.50	42.50	42.50

Program Description

The Corporation Division is responsible for three major programs: 1) Business Registry - the filing of business names; 2) Uniform Commercial Code - the filing of secured transactions; and 3) Notary Public - commissioning and regulating Notaries.

Revenue Sources and Relationships

The Other Funds revenue comes from business filings, secured transactions and notary public fees. The 1999 Legislative Assembly, through HB 2212, reduced and simplified business registration fees to be more in line with the actual costs of operating the Division. The new fees become effective July 1, 2001 and, as a result, the Division will no longer transfer approximately $10.6 million per biennium to the General Fund. The Division estimates total revenues of about $14.8 million for the 2001-03 biennium.

Budget Environment and Performance Measurements

Business activity drives both the revenues and costs of the Division. The Division processes an average of 42,700 documents per month for its three major programs. Automation and electronic access to documents has allowed the Division to continue to process these documents and make them available to the public without increased staff. Increased use of the Internet to access documents has reduced the Division's collections for search services and document copies.

The Division measures its performance by its ability to respond to consumer demand. It maintains statistics on telephone inquiry responses, monitors document-processing turnaround time, conducts consumer surveys, and meets with stakeholders. It is using technology to improve registration processes and expects to be able to provide registration services over the Internet during the 2001-03 biennium.

Governor's Budget

The Division's budget request is a nominal increase to fund current service level only. What is not included in the Division's budget request is $5.4 million of revenues transferred to other internal support divisions. Of this amount, $2.4 million is for the Information Systems Division for one additional computer programmer, funding of position reclassifications, and information system improvements over and above current service level requirements. An additional $75,000 is for a Procurement Manager position requested by the Business Services Division. The remaining revenue transfers of almost $3 million are to the Information Systems, Business Services, and Personnel Resources Divisions to fund current service level activities.

Since the Division is funded solely with Other Funds, the Governor's recommended General Fund reduction has no impact on the Division's budget request.

SOS – Elections Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	6,040,221	6,109,426	5,014,984	6,137,915
Nonlimited	49,454	65,300	67,390	67,390
Total	**6,089,675**	**6,174,726**	**5,082,374**	**6,205,305**
Positions (FTE)	15.00	15.00	15.00	19.00

Program Description

The Elections Division administers the state's elections laws, investigates election law violations and enforces applicable laws; receives for filing all documents related to state elections; publishes statewide voters' pamphlets; and administers the filing and verification of initiative, referendum, and recall petitions.

Revenue Sources and Relationships

The Other Funds revenue includes charges for copies of documents and special forms; providing telecommunication capabilities; and charges to County Clerks for election materials and supplies. The Division estimates these revenues at $60,000 for the biennium. Voters' pamphlet and elections filing fees are not revenues to the Division because they are deposited into the General Fund.

Budget Environment and Performance Measures

The Division must deal with ballot measures, elections, election litigation and the voters' pamphlet in an open and responsive manner. The number of ballot measures qualifying for the general election and the comments in support of or against the various measures directly affect the size and cost of the voters' pamphlet. Other external factors that affect this Division's costs include legal challenges to ballot measures and election results. Expenditures for 1997-99 and 1999-01 include $960,000 for a two-volume voters' pamphlet and $1.4 million for a special election, respectively. Additional cost for the November 2000 General Election two-volume voters' pamphlet is not reflected because of timing of the budget request submission.

Because the Division's activities are mandated by law, the Division evaluates its performance by the success of the election process. It has met all statutory requirements while providing additional access to information over the Internet.

Governor's Budget

The Division's budget request is substantially more than current service level because the current service level does not include any costs for special elections or two-volume voters' pamphlets. The increase of the request over current service level is because the request includes four additional positions ($423,000) and anticipates another two-volume voters' pamphlet ($700,000). The additional positions are requested to deal with increased workload resulting from initiatives, public requests for information, campaign finance filings, and providing training programs for local elections officials, political candidates, and treasurers. Not included in the Division's request is $637,000 additional General Fund which is included in the Information Systems Division budget request for a programmer position for Elections Division support, position reclassifications, and enhancements to Elections Division technology.

If the Governor's recommended General Fund reduction were applied to the Elections Division request, the net effect would be a General Fund reduction of $1,243,291, and a budget of $4,894,624.

SOS – Information Systems Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	569,502	840,193	887,081	1,547,196
Other Funds	3,296,706	3,459,996	2,652,400	5,681,856
Total	**3,866,208**	**4,300,189**	**3,539,481**	**7,229,052**
Positions (FTE)	16.00	17.00	17.00	22.00

Program Description

The Information Systems Division provides centralized information technology services to the various divisions and offices of the Secretary of State. It is responsible for database administration, Internet development and application development and maintenance.

Revenue Sources and Relationships

The Other Funds revenue comes from revenue transfers from other divisions within the agency. These transfers are based on estimates of FTE, Netware users, network connections, desktops, laptops, workstations, peripheral devices and database services that it supports.

Budget Environment and Performance Measurements

The Information Systems Division's budget reflects the activities of the other divisions. As a service agency, it measures its performance by its ability to provide services and support to the other divisions.

Governor's Budget

The Division's budget request is substantially higher than 1999-01 estimated expenditures and current service level because of requests for five additional staff, reclassification of five positions, and information systems improvements principally for the Audits, Corporations, and Elections Divisions. The five additional staff (two to support Audits Division, one each to support Corporations and Elections Divisions, and one whose duties would be spread among all divisions) and reclassification of another five positions would cost $682,000. The information systems improvements requested include $75,000 for hardware and $2.9 million for computer software and supplies. These costs are apportioned to Audits Division ($652,000 Other Funds), Corporations Division ($2.4 million Other Funds), and Elections Division ($687,000 General Fund).

If the Governor's recommended reduction in General Support were followed, the net result would be a General Fund reduction of $679,405, and a budget of $867,791.

SOS – Personnel Resources Division

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	67,133	82,524	89,527	89,527
Other Funds	279,995	257,142	320,411	320,411
Total	**347,128**	**339,666**	**409,938**	**409,938**
Positions (FTE)	3.75	3.00	3.00	3.00

Program Description

The Personnel Resources Division provides human resource services for the other divisions and offices of the Secretary of State. Operations of the Division were previously budgeted and accounted for in the Business Services Division.

Revenue Sources and Relationships

The Other Funds revenue comes from revenue transfers from other divisions within the agency. The transfers are based on the distribution of positions throughout the Office of the Secretary of State.

Budget Environment and Performance Measurements

The Personnel Resources Division's budget reflects the activities of the other divisions. As a service agency, it measures its performance by its ability to provide services and support to the other divisions. To measure its performance, it meets regularly with other division management, provides periodic reporting on recruitment efforts, and other agency human resources matters.

Governor's Budget

The Division's budget request is a current service level request only. During the 1999-01 biennium, the Secretary of State transferred financing of a 0.5 full-time-equivalent position each from the Audits and Corporations Divisions to the Personnel Resources Division to fund one position. This contributed to slight reductions in current service level at those divisions and an increase in current service level cost for the Personnel Resources Division. Of the $70,000 increase in current service level cost, $49,000 is attributed to the additional position in the Division. The balance of the current service level increase is due to inflation and increased personal services costs.

If the Governor's 2.4% General Fund reduction were applied, it would result in a General Fund budget of $87,378, or $2,149 less than requested.

Treasurer of State – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	0	130,000	0	271,314
Other Funds	15,884,090	16,970,780	18,112,313	18,112,313
Nonlimited	3,428,236	4,400,000	4,500,000	4,500,000
Total	**19,312,326**	**21,500,780**	**22,612,313**	**22,883,627**
Positions (FTE)	76.33	77.00	77.00	78.00

Program Description

The Treasurer of State acts as the "banker" for all state agencies by maintaining their accounts and by investing their funds (Trust Funds, constitutional bond funds and any funds not necessary to meet current expenditure demands). The Treasurer coordinates and approves state bond sales; acts as collateral pool manager for the state's largest banks; and pays on bonds submitted by bondholders. The Treasurer also invests excess funds for local governments.

The Treasurer of State is organized into five operating sections: ***Investment*** invests the state held funds; ***Oregon Short Term Fund*** invests state and local funds held in the short term fund; ***Finance*** provides banking services for all state agencies; ***Debt Management*** coordinates and approves issuance of state agency bonds; and ***Collateral Pool*** assures that public funds held in financial institutions are properly collateralized and acts as pool manager for the four largest Oregon banks. The Treasurer is also responsible for administration of the Oregon Qualified Tuition Savings Program. Administration of the program began in the 1999-01 biennium with $130,000 General Fund provided by the Emergency Board.

Revenue Sources and Relationships

Other Funds consist of revenue from a charge on investments managed (up to .425 of one percent), estimated to be $12.4 million; charges to banks that use the Treasurer as a collateral pool manager, estimated at $430,000; charges to state agencies for bond and coupon redemption on outstanding general obligation bonds and to state agencies and municipalities for bond issuance costs, estimated at $2.4 million; and charges to state agencies for banking services and to state agencies and municipalities for bond issuance costs, estimated at $3.3 million. The Treasurer also estimates Nonlimited revenues of $2.2 million which are the result of direct pass-throughs of certain banking charges incurred for its customers. The Treasurer also incurs approximately $2.3 million of Nonlimited expenditures for investment charges paid from investment earnings.

The $271,000 General Fund requested for 2001-03 is to continue the administration of the Oregon Qualified Tuition Savings Program. The initial $130,000 General Fund for 199-01 and the $271,000 are to be repaid from an administrative fee that will be assessed on program assets. The program is expected to begin receiving deposits in calendar year 2001. The Treasurer anticipates program administration will not need any additional General Fund support in the 2003-05 biennium and, that the General Fund support provided will be repaid by the end of calendar 2005.

Budget Environment and Performance Measures

The budget is driven by the number and complexity of financial transactions, the complexity and diversity of investments, the number and kinds of bond transactions, and the number of programs operated out of the Treasurer's Office. The Oregon Public Employees Retirement Fund (OPERF), State Accident Insurance Fund (SAIF), Oregon Short Term Fund, and Common School Fund account for most of the Treasurer's investment activity. Growth of these funds has increased Treasurer investment costs and revenues. The Treasurer relies heavily on automation to service this growth without a corresponding growth in personnel. The Treasurer measures its performance against banking and investment industry standards.

Governor's Budget

The Treasurer of State's Other Funds budget request is only for current service level needs. The budget increase is due to inflationary increases in the cost of goods and services ($412,000) and increased personal service costs due to scheduled merit increases and the full biennium effect of cost of living increases provided during 1999-01 ($1,168,000). The $271,000 General Fund request is to continue support of the administration of the Oregon Qualified Tuition Savings Program.

Commission for Women – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	25,746	127,456	125,971	125,971
Other Funds	151,773	88,038	54,432	92,973
Federal Funds	0	5,000	0	0
Total	**177,519**	**220,494**	**180,403**	**218,944**
Positions (FTE)	1.00	1.00	1.00	1.00

Program Description

The Commission for Women was established by the Oregon Legislature in 1983 to work toward economic, social, legal, and political equality for women in Oregon. The Commission does this by identifying, analyzing, monitoring, and evaluating legal and other issues confronting women, by sponsoring forums on women's issues, and by engaging in legislative advocacy.

Revenue Sources and Relationships

The Commission generates Other Funds revenue through grants, contracts, and publication sales, and from its annual Women of Achievement dinner. These funds help the Commission conduct educational forums and special studies, produce publications, and otherwise carry out its mandated functions. During the 1999-01 biennium, the agency will receive Other Funds of approximately $40,000 from grants to sponsor seminars on menopause and related health issues, approximately $30,000 from hosting the annual Women of Achievement Dinner ($24,000 will cover the costs associated with the dinner and the remaining $6,000 will be available for other agency expenses), and approximately $10,000 from a grant to publish its newsletter. The agency will also receive a few hundred dollars from the sale of its *Women and the Law* book.

In the 1997-99 biennium, the Commission also received $76,814 of state support as Other Funds. These funds were part of a General Fund appropriation to the Human Resources Services Division of the Department of Administrative Services for diversity issues. The Division transferred the funds appropriated to it roughly equally among the four advocacy commissions. For budget purposes, the Commission received these state funds as Other Funds, since they were passed through another agency's budget. This source of Other Funds was discontinued in 1999.

Budget Environment and Performance Measures

Until 1997, the agency's expenses were primarily supported by the General Fund. The Commission also raised some Other Funds, mainly from its Women of Achievement dinner. The Other Funds were used to finance the dinner and to supplement the agency budget. In 1997, the Legislature changed the focus of the Commission's funding from General Fund support to reliance on donations. The Legislature reduced General Fund support to $25,777 – the same amount it provided to all four advocacy commissions. The General Fund support was to be used as seed money to enable the Commission to develop and implement a viable fundraising plan. To allow the Commission the opportunity to continue its operations, the Other Funds limitation was increased by $110,000. The Legislature also appropriated approximately $300,000 of General Fund to the Department of Administrative Services for diversity issues. This money was transferred to the four advocacy commissions and the Commission received approximately $77,000. This transfer, along with the General Fund support, provided total state support that was 18% less than the prior biennium level.

The 1999-01 budget increased direct General Fund support to $127,456 and eliminated the General Fund transfer through the Human Resources Services Division. The budget also reduced the agency's state government service charges by $12,813, freeing up this amount of General Fund appropriation for other agency expenses. General Fund again covers all of the personal services cost of the executive director position and general office expenses. The Other Funds in the budget finance the costs associated with the Women of Achievement dinners, the Eli Lilly and Company menopause health care forums, and office enhancements.

This Commission has traditionally been the most successful among the advocacy commissions in raising Other Funds (although recently it has yielded this position to the Commission on Hispanic Affairs). The Other Funds are used both to supplement the Commission's operating expenses and to finance the costs of the fund-raising activities themselves. For some time, the Commission has raised funds with its Women of Achievement dinner. Through 1997, the dinner raised approximately $10,000 each year for the Commission, net of the expenses associated with conducting it. Recently, however, the dinner is netting approximately $5,000 annually. In the 1997-99 biennium, the Commission began receiving a new source of Other Funds – a grant from Eli Lilly and Company to offer a series of forums on women's health care issues. The Commission received approximately $40,000 from these grants in both the 1997-99 and 1999-01 biennia. The Commission anticipates receiving an additional $26,000 from this source in the 2001-03 biennium. The Commission is also expecting $5,000 in Federal Funds during the 1999-01 biennium to develop an agency website and online Women's Resource Guide. The Federal Funds are a one-time resource, and are not continued in the agency's 2001-03 current service level.

The agency has not adopted any formal benchmarks or linked to any of the Oregon Progress Board's benchmarks. The agency identifies certain output measures but does not keep historic data on these measures. Some output measures that the agency identifies includes: fielding an average of four phone calls per day from constituents seeking information on domestic violence, employment, divorce, and child support questions; holding seven heath care forums (over two biennia) that have reached approximately 1,500 women; and holding several public focus meetings throughout the state.

Governor's Budget

The Governor's budget includes General Fund support at the current service level, and increases the Other Funds expenditure limitation above the current service level both to establish a series of seminars on Women and Finance, and to permit full-funding of the Executive Director position. Because the position was vacant at a certain point in the 1999-01 biennium, the current service level does not include sufficient General Fund support to finance the executive director's expected merit increases in the 2001-03 biennium. Although the agency had sought additional General Fund for this purpose, the Governor's budget uses approximately $14,000 of the agency's Other Funds instead. If Other Funds revenues equal the projection in the budget, the agency will have to reduce its Other Fund ending balance to finance this support of the Executive Director's compensation.

LEGISLATIVE BRANCH

Legislative Branch (LEG) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended *
General Fund	42,352,698	57,475,736	54,387,410	53,082,112
Other Funds	1,642,535	2,380,530	2,393,894	2,393,894
Nonlimited	2,546,127	2,518,951	2,358,237	2,358,237
Total	**46,541,360**	**62,375,217**	**59,139,541**	**57,834,243**
Positions (FTE)	388.49	416.67	414.19	417.23

** Historically, the Governor's recommended budget has accommodated the entire agency request for agencies exempt from the Governor's budget review (Legislative and Judicial Branches, State Treasurer, and Secretary of State). The 2001-03 Governor's recommended budget, while making no specific recommendations, funds only 97.6% of the General Fund current service level and eliminates funding for policy option packages. The net effect is a $6.9 million reduction to the Legislative Branch General Fund budget request. All of the reductions are taken from the Legislative Administration Committee budget.*

The Legislative Branch includes members of the Legislative Assembly and their employees, the costs of four statutory committees or offices, and the Commission on Indian Services. The statutory committees, which provide either administrative and operations support or specialized analysis, include: 1) the Legislative Administration Committee; 2) the Legislative Counsel Committee; 3) the Legislative Fiscal Office; and 4) the Legislative Revenue Office.

LEG – Legislative Assembly

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Agency Request *
General Fund	18,584,884	26,932,102	25,678,168	26,270,776
Other Funds	144,251	187,972	193,102	193,102
Nonlimited	60,954	84,671	86,789	86,789
Total	**18,790,089**	**27,204,745**	**25,958,059**	**26,550,667**
Positions (FTE)	211.43	225.20	225.22	225.22

** Adjusted for late changes in State Government Service Charges.*

Program Description

The Legislative Assembly budget includes salaries and per diem for legislative members and their staffs; the leadership and caucus offices; the Chief Clerk of the House, the Senate of the Secretary, session staff; and Senate Executive Appointments. The budget also includes funding for the Natural Resources Policy Administrator authorized in SB 1320 by the 1999 Legislative Assembly.

Revenue Sources and Relationships

The General Fund supports 99% of the Legislative Assembly's activities. Other Funds revenue subject to expenditure limitation comes from reimbursements for duplicating services and sales of committee tapes. The Nonlimited Other Funds are from the Lounge Revolving Fund, which receives payments from legislative members for food services. The Fund is used to pay for food in the members' lounges.

Budget Environment and Performance Measures

Except for Executive Appointments, the Legislative Assembly budget is divided to reflect session and interim activities--as well as House and Senate costs. A significant cost driver for the Assembly's budget is the length of the legislative session. Although the legislative session covers approximately 25% of the budget period, it accounts for 39% of costs, primarily due to member per diem payments and session-only staff salaries. Interim costs are driven by the number of interim committees and the number of times the committees meet.

The primary responsibility of the Legislative Assembly is to produce a balanced budget that complies with state and federal laws and represents the policy choices and priorities established by the Legislature on behalf of the citizens they represent.

Governor's Budget

The Agency Request budget funds the Legislative Assembly at 2.5% below estimated 1999-01 expenditures. This amount would fund the current service level and add a policy package of $592,608 General Fund for computers for legislators. Reflected in the current service level is the phase-out of $2.2 million for one-time 1999-01 costs for services, supplies, and capital outlay--mostly related to carryover funds from the prior biennium. Also included is just under $200,000 and two positions (1.6 FTE) for the Natural Resources Policy Administrator authorized in 1999 in SB 1320.

If the Governor's 2.4% reduction to the Legislative Branch current service level and elimination of policy packages were applied to the Legislative Assembly budget, funding for the computers would be eliminated, and the operating budget would be reduced another $616,276.

LEG – Legislative Administration Committee

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Agency Request *
General Fund	14,874,083	20,033,609	17,576,294	22,593,757
Other Funds	1,498,284	1,793,247	1,827,618	1,827,618
Nonlimited	489,802	715,795	730,072	730,072
Total	**16,862,169**	**22,542,651**	**20,133,984**	**25,151,447**
Positions (FTE)	107.37	118.97	116.47	119.51

* *Amounts in the table above have been adjusted to reflect late changes in State Government Services Charges. The Governor's budget includes $15,678,388 General Fund for the Legislative Administration Committee—a reduction of $6,915,432 from the adjusted current service level. The reduction consists of a 2.4% reduction to the entire Legislative Branch current service level ($1,305,298) plus the value of the policy option packages in the Legislative Assembly and Legislative Administration Committee budgets ($592,608 and $5,017,526 respectively).*

Program Description

The Legislative Administration Committee (LAC) provides central support services to the Legislative Assembly and Legislative Branch agencies. Services include: 1) substantive committee staffing; 2) information systems and technology support; 3) building operations and maintenance for the State Capitol; 4) accounting, payroll and personnel functions; and 5) public information.

Revenue Sources and Relationships

The General Fund supports 90% of LAC's expenditures. Other Funds revenue is derived from Capitol Building office space rent, parking fees, and sales of services and supplies. Traditionally, LAC adopts the same rental rate for occupants of the Capitol as the rate imposed by the Department of Administrative Services for occupants of other state buildings. For 2001-03 the rate increases from 98 cents per square foot for office space to $1.11 per square foot—a 13.3% increase. Although legislative agencies have budgeted rent at the higher rate, the LAC budget shows only a 4.3% increase in rental receipts from occupants of the Capitol. When this discrepancy is corrected, it will increase revenue for the LAC Facilities Services unit by approximately $140,000. Parking fee and rental revenue goes into the State Capitol Operating Account and is used to partially cover expenses incurred in operating, maintaining, protecting, and insuring the Capitol. A nonlimited Stores Revolving Account accommodates revenue from retail sales in the Capitol Gift Shop.

Budget Environment and Performance Measures

Significant factors affecting LAC costs are the demand for improved information systems; maintenance and repair of the Capitol; and meeting the needs of legislative committees. The Legislative Branch is engaged in a major Technology Transition Program to replace existing mainframe application systems with new graphical systems based on current technology. The transition consists of 21 projects to be completed over several years. One goal is to have systems that share a common database. Recent completion of a project to move the Committee Agenda Scheduling System off the mainframe should improve access to information on legislative hearings. Project plans for the 2001-03 biennium include development of a new Bill Drafting system and migration of the remaining core legislative business applications. As a result of this focus, the Information Systems unit has become the largest component of the LAC budget.

Another major cost driver for LAC is maintenance and repair of the Capitol. Several large projects have been completed over the past three biennia. They include re-roofing, replacing aging wiring and transformers, and upgrading elevators to meet building code requirements. Still, there are many outstanding maintenance and repair issues. Among them is the need to clean air ducts and replace deteriorating piping in the House and Senate wings.

The length of legislative sessions and the number of bill introductions, amendments, and committee hearings also affect the agency's workload and costs.

Governor's Budget

As noted above, the Governor's budget does not cover the entire Legislative Administration Committee request. In addition to eliminating $5,017,526 for policy packages, the Governor applied a 2.4% reduction from the current service level for the entire Legislative Branch, all of which is taken from the LAC budget. If this reduction were pro-rated among the legislative agencies, LAC's share would be $421,831.

The agency request includes the following General Fund policy option packages, which are not in the Governor's recommended budget:

- Establish a Web Editor position (1 FTE) in the Committee Services Budget for daily maintenance and updating of the Legislative Branch web site ($96,157).
- Reclassify two Committee Services positions from Committee Administrator/Legislative Analyst 1 (CALA 1) to CALA 4 ($108,159).
- Replace outdated analog copier systems with digital system copiers in the Committee Services and Facility Services units ($94,296).
- Continue the Technology Transition Project ($2,301,849 and 2 FTE).
- Design and implement a more efficient, technologically advanced recording and archiving system that meets statutory recording requirements ($327,820).
- Upgrade network software and improve systems infrastructure ($388,433).
- Upgrade network security and disaster recovery systems ($174,000).
- Establish one new position (0.25 FTE); eliminate portions of two existing positions (-0.21 FTE); and reclassify six Information Systems positions ($31,039 and net 0.04 FTE).
- Develop a new electronic commerce application for Legislative Counsel ($65,635).
- Replace aging cameras in Hearing Rooms A and F, and add a presentation system to allow overheads and PowerPoint presentations to be clearly captured for television coverage ($148,671).
- Establish on-going training for Information Systems staff, fund a computer-based training pilot program, and upgrade the IS Training Center to make training of legislative staff more efficient ($299,300).
- Improve lighting systems in the House and Senate chambers so video of proceedings can be more widely used for public access purposes ($100,000).
- Purchase additional networked personal computers and upgraded software for legislative members ($44,098).
- Replace deteriorating piping in the House and Senate wings of the Capitol with plastic tubing to eliminate leaks and discoloration ($375,000).
- Clean air ducts in the House and Senate wings of the Capitol ($270,000).
- Install card key or keypad activated doors and traffic control in the Capitol garage for security purposes ($50,000).
- Expand the Capitol Gift Shop and Visitor Services areas ($110,000).
- Increase funding for recruitment advertising to compensate for increased costs ($33,000).

The Legislative Administration Committee has not developed formal performance measures, although the Systems Support section of Information Systems has begun to use surveys to determine the level of customer satisfaction. The Committee is in the process of developing more extensive performance measures.

LEG – Legislative Counsel

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Agency Request *
General Fund	4,849,957	5,505,402	5,862,137	5,862,137
Other Funds	0	393,666	367,388	367,388
Nonlimited	1,995,371	1,718,485	1,541,376	1,541,376
Total	**6,845,328**	**7,617,553**	**7,770,901**	**7,770,901**
Positions (FTE)	45.20	47.50	47.50	47.50

* *Adjusted for late changes in State Government Service Charges.*

Program Description

Legislative Counsel (LC) staff draft legislation for legislators, legislative committees, and state agencies. They also provide research services and legal advice to legislators and legislative committees. The Office of the Legislative Counsel prepares indexes and tables for all measures introduced during a legislative session, and at the end of each session publishes the session laws (*Oregon Laws*). Every two years, the Office publishes *Oregon Revised Statutes (ORS)*, which are the official codification of Oregon's statute laws. LC also conducts a review of all new administrative rules adopted by state agencies to determine if they are consistent with the agency's statutory authority.

Revenue Sources and Relationships

The General Fund supports 75% of LC's expenditures. Other Funds are derived from sales of the *Oregon Revised Statutes*, *Oregon Laws*, and other LC publications. A small portion of the publication sales income is expended as limited Other Funds and used to defray that part of the agency's General Program expenses that are related to *ORS* publication editing. The balance of the publication sales income is expended as nonlimited within the *ORS* Publications Program.

Publication sales have declined in recent biennia, in part, due to their availability on CD-ROM format. The publications are also now available on the Internet. As a result, Other Funds revenue may decline. This may necessitate a larger General Fund budget to provide for ORS publication.

Budget Environment and Performance Measures

The number of bills and amendments being drafted continues to increase each session. This increase in workload creates additional pressure on Counsel staff, which ripples throughout the institution as these bills are introduced. The agency has also experienced several staff changes in the last few years and has had to deal with the loss of years of institutional memory and bill drafting experience. This has increased the need for staff orientation and training.

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. Increasingly, legislative priorities have not left time and resources for the Legislative Counsel to devote to the Commission. At its April 2000 meeting, the Emergency Board allocated $100,000 from the Emergency Fund to purchase outside services to supplement those provided by the Legislative Counsel. This amount will fund added services for the last half of the current biennium. The Commission selected a proposal by Willamette University whereby its College of Law houses and shares the cost of an Executive Director and related support services for the Commission.

Governor's Budget

The Agency Request budget funds the Legislative Counsel's office at the current service level, including phasing-in the full biennium cost of contract services for the Oregon Law Commission ($202,500). However, if the Governor's reduction to current service level were pro-rated among all legislative agencies, Legislative Counsel's share would be $140,691.

LEG – Legislative Fiscal Office

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Agency Request *
General Fund	2,781,738	3,360,474	3,673,814	3,673,814
Total	**2,781,738**	**3,360,474**	**3,673,814**	**3,673,814**
Positions (FTE)	16.49	17.00	17.00	17.00

* *Adjusted for late changes in State Government Service Charges.*

Program Description

The Legislative Fiscal Office is a non-partisan legislative service agency created by statute in 1959. The Office researches, analyses, 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 during the interim between sessions. The Office determines the fiscal impact of all legislative measures and, when applicable, publishes fiscal impact statements that accompany bills through the legislative process. The Office provides staff support for the Joint Legislative

Committee on Information Management and Technology (JLCIMT), including budget analysis and non-technical policy recommendations concerning state agency information systems projects. During the interim, the Office also conducts reviews and performance audits of selected programs for the Joint Legislative Audit Committee and provides staff support for special interim committees.

Budget Environment and Performance Measures

As with other committee staffs, the work of the Legislative Fiscal Office changes focus between legislative sessions and the interim between sessions. During sessions, budget analysis and the number of bill introductions and amendments creates the workload for the agency. The Office reviews all measures to determine if they have a fiscal impact. The continuous increase in bills and amendments requires the staff to write more fiscal impact statements. During approximately seven-months of the 1999 Legislative Session, Legislative Analysts researched and wrote fiscal impact statements on an average of 632 bills each—an average of 90 per month.

During the interim, workload is driven by the number and complexity of Emergency Board requests; the number of meetings and issues before the JLCIMT and special interim budget committees; and the number and depth of performance audits or program evaluations required by the Joint Legislative Audit Committee. The turnover in members due to term limits has caused the Office to spend more time educating members and their staffs about the budget process.

The Legislative Fiscal Office has no formal performance measures. It is responsible for non-partisan advice to the Legislative Assembly on how it can achieve its primary responsibility of developing a balanced budget. Although elements within the budget may vary depending upon legislative priorities and other constraints, there is no margin for error with respect to the overall goal.

Governor's Budget

The Agency Request budget provides for continuation of the current level of agency operation and phases in the added cost of the second stage of an audit of state and local agencies that provide services for children and families. The audit, which is being conducted over two biennia, is mandated in SB 555 (1999). The recommended budget reflects a 9.3% increase over 1999-01 estimated expenditures. Were it not for the phase-in costs related the SB 555 audit, the increase would have been 7 percent. Standard inflation factors were used for services and supplies and contracted services. The uniform rate charged by the Legislative Administration Committee to occupants of the Capitol is used to compute rent charges, which increase 13.3 percent. State Government Services Charges go down 4.1%, primarily due to reductions in Secretary of State Audits Division charges. If the Governor's reduction to current service level were adopted on a pro-rated basis, LFO's cut would be $88,172. Excluding funding for the second phase of the SB 555 audit, this level of reduction would constitute 22% of non-salary costs.

LEG – Legislative Revenue Office

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level *	2001-03 Agency Request *
General Fund	975,700	1,327,870	1,269,466	1,269,466
Total	**975,700**	**1,327,870**	**1,269,466**	**1,269,466**
Positions (FTE)	6.00	6.00	6.00	6.00

* *Adjusted for late changes in State Government Service Charges.*

Program Description

The Legislative Revenue Office (LRO) provides staff assistance to the House and Senate Revenue Committees during legislative sessions and the interim between sessions. The Office was established in 1975 to provide non-partisan analysis of tax and school-finance issues. The office writes revenue impact statements on bills affecting state or local revenue, and researches tax and school-finance issues for legislators and legislative committees.

Budget Environment

As with other committee staffs, the number of bill introductions and amendments create the workload for the agency during session. The continuous increase in bills and amendments, along with tax-related voter initiatives and legislative referrals, requires the staff to write more revenue impact statements. The number of Revenue and School Finance Committee meetings determines the interim workload.

Governor's Budget

The Agency Request budget funds the Legislative Revenue Office at the current service level. The budget is 4.3% below 1999-01 estimated expenditures due to the phase-out of costs related to the 1999 special appropriation (SB 5511) for development of a tax incidence model. The Legislative Assembly appropriated $300,000 to the Emergency Board for allocation to the Legislative Revenue Office for development of the model, which is designed to provide taxpayers and policy makers with information on the overall distribution and burden of Oregon taxes. Future use of the model and related costs associated with maintaining it will be determined during the 2001 Legislative Session.

If the Governor's 2.4% reduction to CSL were applied to LRO, it would mean a reduction of $30,467. The cut would likely necessitate a reduction in staff, because if applied to non-salary expenditures, it would constitute a 21% reduction.

LEG – Commission on Indian Services

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	286,336	316,279	327,531	327,531
Other Funds	0	5,645	5,786	5,786
Total	**286,336**	**321,924**	**333,317**	**333,317**
Positions (FTE)	2.00	2.00	2.00	2.00

Program Description

The Commission on Indian Services 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. 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. In addition to one senator and one state representative, each of Oregon's nine federally recognized tribal groups is entitled to one member. The remaining two members are from the Portland area and Willamette Valley Indian communities.

Revenue Sources and Relationships

The Other Funds revenue represents registration and other fees derived from sponsorship of special meetings. The funds are used on to cover costs associated with the events.

Budget Environment and Performance Measures

Staff salaries and Commission member travel are the primary costs in this budget. The Commission holds regular quarterly meetings, as well as special meetings at the call of the Chair. Various statutes require that the Commission be consulted on matters related to the preservation and protection of Indian fish, wildlife, historic and archaeological resources.

The Commission has not established performance measures. The Commission reports that governmental and non-governmental entities are increasingly relying on the Commission for technical and coordination services and that the volume of phone and mail transactions is increasing.

Governor's Budget

The Agency Request budget funds the Commission at the current service level, which is 3.6% above 1999-01 estimated expenditures. If the Governor's recommended reduction of 2.4% were applied to the Commission's budget, it would result in a reduction of $7,861. This would be a 16% cut if applied to non-salary categories.

JUDICIAL BRANCH

Council on Court Procedures – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	91,130	100,199	90,596	90,596
Other Funds	7,344	8,000	8,000	8,000
Total	**98,474**	**108,199**	**98,596**	**98,596**
Positions (FTE)	0.71	0.71	0.71	0.71

Program Description

The Council on Court Procedures is responsible for reviewing the laws on civil procedure. The Council relieves legislative committees of the need to meet to consider technical changes in civil procedure, while enabling the Legislature to consider and act on the recommendations from Council deliberations. The 23-member Council consists of judges, attorneys and a public member. The Council meets at least 6 days during the interim to consider revisions to civil procedure law, and to draft a report. At the beginning of each legislative session, the Council submits the report to the Legislative Assembly. The report contains recommendations on any necessary statutory changes.

Revenue Sources and Relationships

The 1993 Legislature changed the funding for the Council to include up to $8,000 from the Oregon State Bar as travel reimbursement for Council members.

Budget Environment and Performance Measures

Staff for the Council consists of two part-time positions. The General Fund supports staff salaries, general office expenses and state government charges. The University of Oregon provides workspace for the Council's executive assistant.

The Council has one goal, which is to produce a report for each legislative assembly on recommended changes to civil procedures.

Governor's Budget

The Governor's Budget funds the Council at the current service level.

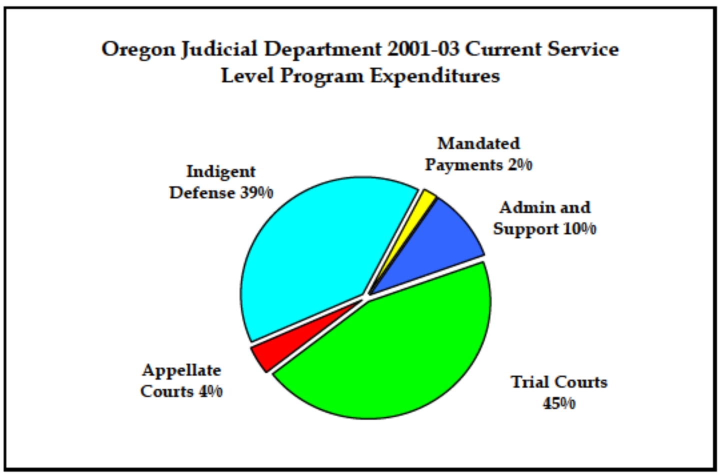
Oregon Judicial Department (OJD) – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level [1]	2001-03 Governor's Recommended [2]
General Fund	311,412,298	359,250,343	411,448,080	396,693,326
Other Funds	4,876,718	8,468,596	8,605,590	13,553,579
Federal Funds	411,200	842,428	371,977	455,138
Total	**316,700,216**	**368,561,367**	**420,428,647**	**410,704,042**
Positions (FTE)	1622.92	1752.74	1740.85	2068.87

1 The Governor's current service level estimate reduced the PERS assessment for all staff instead of the actual reduction which only applied to judges' retirement assessments. This excess reduction is $5.1 million. The CSL estimate has been adjusted to restore that reduction.

2 Historically, the Governor's recommended budget has accommodated the entire agency request for agencies exempt from the Governor's budget review (Legislative and Judicial Branches, State Treasurer, and Secretary of State). The 2001-03 Governor's recommended budget, while making no specific recommendations, funded only the current service level reduced by 2.4% for these agencies. The Governor's budget did not fund any of the $76.3 million in General Fund budget packages requested by the Chief Justice and reduced the current service level by $9.8 million. The error in the CSL PERS adjustment, combined with the 2.4% reduction, results in a total reduction of $14.8 million.

The Judicial Department includes:
Appellate Courts, which are the Supreme Court, Court of Appeals, Tax Court, and legal support cost;
Administration and Support Services, that includes the Office of the State Court Administrator, information systems management, and fiscal and human resources management;
Trial Courts, which are the courts of general jurisdiction. District courts were abolished effective January 15, 1998 and circuit courts assumed jurisdiction for all state trial court functions;
Mandated Payments, that includes the cost of providing trial and grand jurors, court interpreters, civil appellate transcript costs for indigent persons, and Americans With Disabilities Act accommodation services; and
Indigent Defense Services, that is responsible for providing legal counsel to indigent persons at the trial court level and shares the responsibility with the State Public Defender at the appellate level.



Revenue Sources and Relationships

Oregon Judicial Department will receive over $178.7 million in Other Fund revenues, including fines, fees, forfeitures, assessments and indigent defense recoupment. Of these funds, over $165.8 million will be transferred to the General Fund and to other agencies, cities and counties. Sources of operating Other Funds revenue include: the sale and distribution of court publications ($2.7 million); fees charged for public access to the Oregon Judicial Information Network ($2.1 million); Multnomah County delinquent parking fees and other and fees including the Indigent Defense application fee ($3.6 million); State Law Library fees ($1.4 million); fees charged for the interpreter and short hand reporter certification programs ($259,148); and grants from the State Office for Services to Children and Families Division of the Department of Human Services for the Citizen Review Board ($722,000). The Department anticipates $2 million in Other Funds revenue from certificates of participation to renovate the Supreme Court building. The Department also has a $1.8 million Other Funds beginning balance. Federal Funds of $455,138 support assessments of state foster care and adoption laws and judicial processes ($390,138), and for the Klamath Falls Drug Court ($65,000).

Budget Environment and Performance Measures

The 1999 Legislature did not establish additional judicial positions to support caseload increases, and did not provided funding for salary increases for elected positions, including judges.

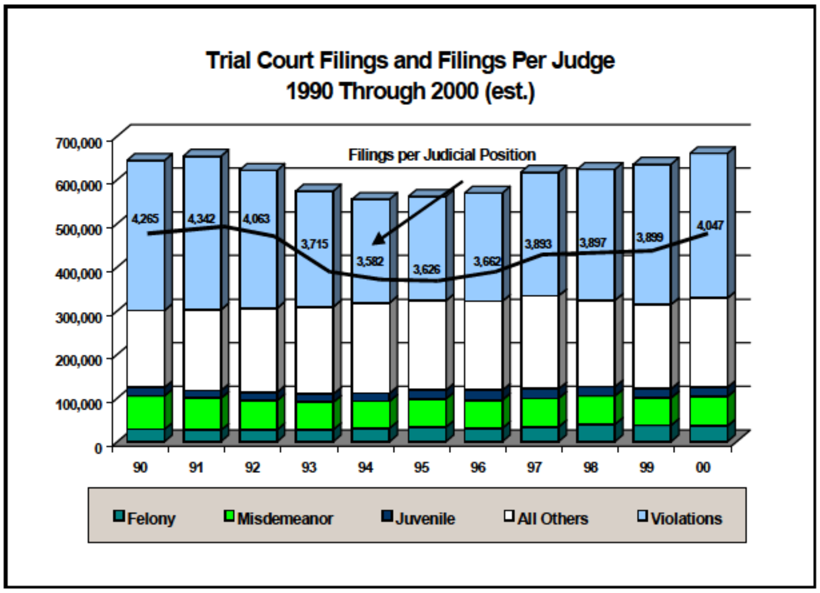
The Department had several budget notes that requested it to:

- prioritize planned expenditures;

- work with other public safety agencies on the Public Safety Data Warehouse Project;
- develop a plan for the statewide implementation of family and drug courts;
- provide centralized management and review of position and FTE allocations;
- establish a fee structure for electronic data that recovers costs from businesses that use the services; and
- develop a long-range technology improvement plan.

Several of the Emergency Board allocations were contingent on reports related to these budget notes.

This chart illustrates workload change between 1990 and 2000. The fluctuation in violation filings occurred when the number of charges that could be cited on the Uniform Traffic Citation was increased from one charge per Citation to three charges per Citation. Overall, projected case filings for Fiscal Year 2000 are 3.9% higher than Fiscal Year 1990. However, serious criminal filings are up by 27.9 percent. As the chart illustrates, filings per judicial position are approaching the level of 1991, when filings per judicial position reached a high of 4,299 per judge per year. The 2001 Legislature will be asked to address these issues, as well as overall staff workload and ongoing funding for family and drug court initiatives.



Governor's Budget

The Governor's budget is an increase of $37.4 million General Fund to 1999-01 estimated expenditures, primarily as a result of indigent defense caseload growth and juror compensation increases approved by the 1999 Legislature. The Governor's budget reduced funding to the agency by $9.8 million, which is 2.4% below current service level. For the purposes of this analysis, the reduction has been applied on a pro-rata basis to all of the programs of the Department, since the Governor did not specifically identify where the reductions were to be taken. The Department of Administrative Services mistakenly applied a judicial PERS reduction to all Judicial Department staff, resulting in a $6.4 million reduction. The correct adjustment is $1.3 million, creating a shortfall in the Governor's budget for the Judicial Department of $5.1 million. As a result, the Judicial Department has a total reduction of $14,754,754 General Fund from the current service level.

In addition, the Governor's budget did not fund any of the Chief Justice's General Fund budget packages, and does not address current service-level related costs such as judicial compensation, workload increases, or activities for which the Emergency Board approved limited-duration staff in the 1999-01 biennium. The Governor's budget reduces current service level adjustments for indigent defense caseload growth, and for juror compensation increases approved by the 1999 Legislature. The Governor's budget contains no funding for technology improvements, furnishings for renovated courthouses, or capital improvements needed to renovate the Supreme Court building. The Governor's budget includes over 320 unfunded FTE.

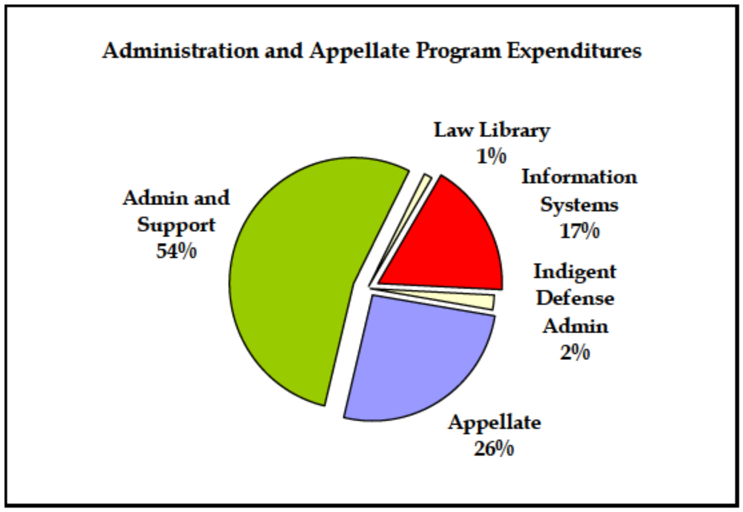
OJD – Appellate and Administration

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	41,042,667	54,821,654	58,009,822	70,379,375
Other Funds	3,820,758	7,314,091	6,664,636	8,402,833
Federal Funds	257,898	306,977	306,977	390,138
Total	**45,121,323**	**62,442,722**	**64,981,435**	**79,172,346**
Positions (FTE)	250.84	283.83	294.12	347.80

Program Description

The Appellate Courts and Administrative Operations program includes the Oregon Supreme Court, the Court of Appeals, the Tax Court, and the Office of the State Court Administrator. The Chief Justice is responsible for the administration of the Judicial Branch of Government. The Supreme Court consists of 7 justices elected to serve 6-year terms. The Court of Appeals consists of 10 judges who hear appeals from trial courts, agencies, and boards. Currently, there is one Tax Court judge who hears matters arising from Oregon tax law. A Tax Magistrate Division was created in 1997 to replace the informal administrative tax appeals process conducted by the Department of Revenue. In 1999-01, the Tax Magistrate program will have six magistrates.

The State Court Administrator serves under the direction of the Chief Justice. The State Court Administrator is responsible for certain centralized functions of the Oregon courts system, including legal counsel, internal audit, judicial and staff education, information systems, budget and finance, trial court program statistics, and personnel management. Administration of the Indigent Defense Program, education and training for Citizens Review Boards, and the Supreme Court library are also funded within the Office. The information systems function, which includes the Oregon Judicial Information Network (OJIN), now constitutes 31% of program area expenditures.



Revenue Sources and Relationship

Estimates of 2001-03 Other Funds revenue include the sale and distribution of court publications ($1.5 million); fees charged for public access to the Oregon Judicial Information Network ($2,069,853); fees charged for the interpreter and short hand reporter certification programs ($259,148); and grants from the State Office of Services to Children and Families Division of the Department of Human Services for the Citizen Review Board ($722,000). Federal Funds ($306,977) are used for assessments of state foster care and adoption laws and judicial processes.

Budget Environment and Performance Measures

The number of cases filed in the Court of Appeals for 2000 is projected to decrease by an estimated 10 cases over 1999. The 2000 filings are projected to be 4,009 compared to 4,019 for 1999. The Tax Magistrate Division had 6,484 cases filed since it began operation. The number of cases submitted to the Supreme Court has remained stable over the last two calendar years. However, mandatory direct review cases have increased significantly.

The State Court Administrator and support staff continue with efforts to streamline and modernize court operations through ongoing implementation of improvements in automation and processes. Efforts include implementation of a data warehouse to enable staff and the public to query court data, development of a departmental website, and the reactivation of the Justice 2020 Committee to establish system-wide goals for the delivery of justice services and update the vision for the state court system. Other efforts include development of a uniform sentencing judgment and courtwide case calendaring system.

The Judicial Department has established goals for timely disposition of cases in the trial courts. The data is reported from 1992 through 1998. The goals include:

- General Civil cases disposed in 18 months. The target is to dispose of 98% of general civil cases within 18 months. The Department met this target in 1992, but the percentage had slipped to 95% in 1999.
- Domestic Relations cases disposed in 9 months. The target is to dispose of 90% of cases within 9 months. The Department has consistently exceeded this target, although the percentage has declined from a high of 96% in 1993 to 92% in 1999.
- Felony cases disposed in 6 months. The target is to dispose of 98% in 6 months. The Department has never achieved this target. In 1992, 87% met the target, but by 1999, the percentage had declined to 79 percent.

- Misdemeanor cases disposed in 6 months. The target is to dispose of 98% within 6 months. The Department has never met this target. In 1992, 92% of cases were disposed in 6 months, but by 1999, the percentage had declined to 88 percent.

The decline in timely processing is consistent with data on active pending caseloads, which has increased from a low of 640 active pending cases per judicial position in 1993, to 838 in 1999. The Department has not identified the reasons for this change, but estimate that it is a result of the increased complexity of cases, the additional (non-trial) workload of judges, including motions practice and required conferences and meetings, and the increase in overall workload.

As part of the Justice 2020 strategic planning process, the Department is developing outcome measures in the areas of accessible and timely justice, safe and healthy youth, children and families, and safe, engaged communities. The Department will develop and report on these measures in future biennia. The Emergency Board also requested the Department to work with the Department of Human Services and other partners to develop measurable short-and-long-range outcomes for family courts and drug courts. These measures were reported to the Joint Legislative Audit Committee, and include measures of self-sufficiency, recidivism, and timeliness.

Governor's Budget

The Governor's budget is an increase of $1.9 million above 1999-01 estimated expenditures, primarily as a result of standard compensation and inflationary adjustments and increased revenue estimates for the Oregon Judicial Information Network (OJIN). The Governor's Budget reduced the General Fund support by $1.4 million, which is 2.4% below current service level and did not fund any of the Chief Justice's General Fund budget packages. The PERS error further reduces this budget by $950,000 General Fund.

The Chief Justice's budget for Appellate and Administrative Operations includes over $12.4 million General Fund in budget packages to address various workload issues, technology improvements, and judicial compensation increases, which were not funded. The Governor's budget includes $1.1 million Other Funds for public access support to OJIN, funded with user fees, and also includes over 50 unfunded FTE.

OJD – Trial Court Operations

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	146,026,287	156,175,641	168,743,459	214,988,435
Other Funds	1,055,960	1,154,505	1,940,954	3,196,338
Federal Funds	153,302	535,451	65,000	65,000
Total	**147,235,549**	**157,865,597**	**170,749,413**	**218,249,773**
Positions (FTE)	1372.08	1468.91	1446.73	1721.07

Program Description

Trial Court Operations includes the funding and operations of all state trial courts, which effective in 1998, are the circuit courts. The program also includes staff to verify the indigency of applicants for representation at state expense. There are circuit courts in each of the 36 counties, served by 163 judges. These courts adjudicate matters and disputes in criminal, civil, domestic relations, traffic, juvenile, small claims, violations, abuse prevention act, probate, mental commitments, adoption, and guardianship cases.

Revenue Sources and Relationships

Revenue estimates for 2001-03 include Other Funds from indigent defense recoveries ($2.5 million) and Multnomah County delinquent parking ($870,272), and Federal Funds for Klamath County Drug Court ($65,000). Compensatory fines and restitution are also collected by the courts and held in trust prior to disbursement to individual victims. These funds are not accounted for in the budget. The trial courts are projected to receive an estimated $133.8 million in filing fees, fines, costs and assessments, and other revenues that are disbursed to the General Fund and cities, counties and various agencies during the 2001-03 biennium.

The Judicial Department's overall revenue projections for 1999-01 are expected to increase by less than 1% over 1997-99 (from $144 million to $144.1 million). No significant changes were made in the fees or assessments by the 1999 Legislature. The Judicial Department continues to identify and refer past due collections to the

Department of Revenue for collection. Most Judicial Department revenues collected are transferred to other entities, with 38.5% being transferred to the General Fund.

Budget Environment and Performance Measures

Projected case filings in 2000 are estimated to show an increase of 24,189 (3.8%) compared to 1999. Overall filings have increased from a low of 555,141 in 1994 to 659,690 (projected) in 2000, an increase of 18.8 percent. However, over 50% of that workload is violations, primarily traffic violations, which require very little judicial time. More serious felony filings increased from 30,725 in 1994 to 35,957 (projected) in 2000 (17%) and civil cases increased from 68,469 in 1994 to 69,975 (projected) in 2000, or just under 2 percent. Domestic Relations cases declined by 8,817 (projected) cases during that same period (14.2%). The trend in cases filed per judge has increased from a low of 3,582 in 1994 to 4,047 (projected) in 2000. The change in filings per judge reflects both filing trends and additional judgeships that were created during the period. This relationship is illustrated in the *Trial Court Filings and Filings per Judge* chart above in the Judicial Department summary.

There is increasing need to use technology for case management to increase productivity of limited support staff. A key component of the budget is funding to support existing and expanded technology to ensure adequate resources are available for effective operations. However, increased flexibility is needed in automated systems to meet the changing data requirements, especially for innovative programs such as therapeutic drug or family courts.

The Department has also been active in developing new methodologies for resolving disputes, including alternative dispute resolution programs, family law courts, drug courts, and improvements in the jury system and use of interpreters.

The 1997 Legislature created three new judgeships effective January 1, 1999 for Polk, Marion and Multnomah Counties. The 1999-01 roll-up cost for these new judgeships was approximately $1.8 million. The Legislature did not adopt the recommendation of the Joint Bench / Bar Committee on New Judgeships on the creation of 16 new judges and 2 pro-tem judges for 1999-01. The Joint Bench / Bar Committee on New Judgeships has recommended 15 new judges and support staff, 6 FTE pro-tem judges, and 2.3 hearings referees, at a 2001-03 cost of $14.7 million.

Governor's Budget

The Governor's budget is an increase of $8.1 million (5.3%) General Fund from 1999-01 estimated expenditures, primarily as a result of phased-in programs, and standard compensation and inflationary adjustments. The Governor's budget is a reduction to the current service level of $3.9 million (2.4%) General Fund and does not include any of the Chief Justice's General Fund budget packages. The PERS error further reduces this budget by $4,050,000 General Fund.

The Chief Justice's budget for Trial Court Operations includes over $46 million in General Fund budget packages to address workload increases, integrated family and drug courts and judicial compensation increases, none of which were funded in the Governor's budget. These packages include:

- $14.7 million and 104.57 FTE to fund 15 new judges and support staff, 6 FTE pro-tem judges, and 2.3 hearings referees including staff;
- $5.3 for statutory changes to increase judicial compensation;
- $5.8 million to continue and expand Integrated Family / Drug Court programs;
- $1.9 million for office equipment and digital recording devices; and
- $7.1 million and 71.55 FTE to address various workload concerns including increased staff for the Gresham satellite court.

The Governor's budget includes a $1.3 million increase in Other Funds limitation primarily for collections and pretrial release programs. The Governor's budget also includes 274.34 in unfunded FTE.

OJD – Mandated Payments

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	7,387,843	8,653,255	16,309,031	15,874,780

Program Description

The mandated payments category funds the cost of providing trial and grand jurors, court interpreters, civil appellate transcript costs for indigent persons, and Americans With Disabilities Act accommodation services.

Budget Environment and Performance Measures

The 1999 Legislature approved a requirement that certified interpreters be provided for all judicial and administrative proceedings. The Judicial Department was given responsibility for the certification process. Staff costs for this activity, which is paid through the Appellate and Administration budget, is $512,746. In addition, the Department estimates a 55.4% increase in the need for interpreters in the trial courts. The estimated cost increase in 2001-03 is $1,573,087, which is included in the current service level calculation.

Juror payment increases approved by the 1999 Legislature in SB 1304 will change per diem and mileage rates effective July 1, 2001, with an estimated roll-up cost of $5.8 million for the 2001-03 biennium. These changes include:

- Maintains the 1999-01 juror fee of $10 per day for first two days of service in circuit court;
- Increases juror fees for the third and subsequent days to equal to the number of hours served multiplied by the minimum wage. Payment must be at least $10 per day and not more than $50 per day; and
- Requires payment for mileage to any juror serving in a circuit court that must travel more than ten (10) miles each way from juror's usual place of abode.

Jurors may be paid for lodging expenses, dependent care expenses and other reasonable expenses subject to availability of funds for payment. In addition, the Chief Justice of the Supreme Court will implement procedures for circuit courts that will allow a person called for jury service to serve for one day or for one trial.

Governor's Budget

The Governor's budget is an increase of $7.3 million (83.9%) compared to 1999-2001 estimated expenditures, primarily as a result of juror compensation increases approved by the 1999 Legislature. The Governor's budget reduced the General Fund by $391,417, which is 2.4% below current service level, and did not fund any of the Chief Justice's budget packages. These policy packages include translation and Americans with Disability Act compliance, and funding for workload growth.

The Governor's reduction to current service level reduces funds available for the juror compensation increases approved by the 1999 Legislature.

OJD – Indigent Defense

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	116,955,501	139,599,793	168,385,768	186,357,675

Program Description

Both the U.S. and Oregon Constitutions guarantee the right to legal representation, at state expense, to indigent persons facing criminal prosecutions. Also, persons are entitled to state paid representation if they are indigent and are facing involuntary civil commitment proceedings; contempt; probation violation; juvenile court matters involving allegations of delinquency and child abuse or neglect (including termination of parental rights cases); and other limited civil proceedings.

Indigent persons are also entitled to representation at the appellate level. The State Public Defender is responsible for most of the criminal appellate work. However, the Judicial Department is responsible for the costs of all transcripts, and all appellate work that the State Public Defender does not handle, such as child abuse and neglect cases. The State Court Administrator primarily contracts with nonprofit public defenders, law firms, consortia, or individual attorneys to provide services to indigents.

Budget Environment and Performance Measures

The indigent defense cost increases are primarily due to caseload increases. The primary drivers of caseloads are the levels of resources available to law enforcement, prosecution, juvenile departments, mental health and alcohol/drug treatment, parole and probation services, and jail and prison space.

The 1999-2001 Legislatively Adopted Budget was based on caseload growth projections of 4% per year. The caseload growth between fiscal years 1998 and 1999 had slowed to 4 percent. However, caseload growth between fiscal years 1999 and 2000 was actually 7.2 percent. Also, raw caseload projections do not take into account the increasing complexity of cases arising from new laws and ballot measures. The Department has worked with contractors to implement cost and quality control measures and to establish comparability between service providers and contractors. However, there is statewide pressure to improve the rate of contractor compensation to more closely parallel that of government-funded prosecutors and the State Public Defender, and to increase the hourly rate paid to non-contract attorneys. The estimated cost of this increase for 2001-03 is $11.2 million, which the Department submitted as a budget package.

The 2001-03 current service level increase for indigent defense is based on a projected caseload increase of 6% per year. This projection is based on actual growth during the first year of 1999-01 biennium. This growth includes increases of: 1.3% in felonies; 7% in DUII and other misdemeanors; 9.4% in parole violations; and 10.7% in juvenile matters. Overall, the indigent defense caseload grew by 7.2% between fiscal year 1999 and fiscal year 2000.

The 1999 Legislature approved a temporary Public Defense Services Commission to evaluate the delivery of trial and appellate indigent defense services, including caseloads, compensation and the quality of services, and make recommendations to the 2001 Legislature. These recommendations will include establishment of a trial and appellate defender office separate from the Judicial Department and salary parity for indigent defense service providers.

Governor’s Budget

The Governor’s budget is an increase of $24.7 million over 1999-01 estimated expenditures due to a projected increase in indigent defense caseload and inflationary adjustments. The Governor’s budget is a reduction of $4 million, which is a 2.4% reduction to the current service level estimate.

None of the Chief Justice’s budget packages were funded in the Governor’s budget. Indigent Defense packages included $11.2 million for attorney hourly rate increases designed to address salary differentials with District Attorneys and $2.8 million to increase investigators’ hourly rates. Action on these items was deferred by the 1999 Legislature, pending recommendations from the Public Defense Services Commission. The Governor’s budget also did not include requested funding in the Administrative and Appellate program for staff to handle the increased workload.

OJD – Capital Construction

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Agency Request
General Fund	0	0	0	193,681
Other Funds	0	0	0	2,075,000
Total	**0**	**0**	**0**	**2,268,681**

Program Description

This program includes certificates of participation (COPs) for capital construction and renovation to the Supreme Court building.

Revenue Sources and Relationships

The program receives COP proceeds for capital construction.

Governor’s Budget

The Governor’s budget authorizes the issuance of COPs but does not provide any General Fund for repayment of the debt service.

Commission on Judicial Fitness and Disability – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level	2001-03 Governor's Recommended
General Fund	181,951	201,733	210,801	210,801
Positions (FTE)	0.75	0.75	0.75	0.75

Program Description

The nine-member Commission on Judicial Fitness and Disability receives and investigates complaints concerning the conduct of Oregon judges. If an initial investigation reveals a judge's conduct may warrant censure, suspension, or removal, the Commission will notify the judge of its intent to issue a formal complaint. Ultimately, a formal hearing is held. If the Commission finds good cause, it will recommend disciplinary action to the Supreme Court.

Revenue Sources and Relationships

The General Fund supports the Commission.

Budget Environment and Performance Measures

The budget funds a half-time Executive Director position and a .25 FTE clerical support position; meeting expenses; and disciplinary proceeding expense, which generally includes investigator, attorney, and court reporter costs. Program costs fluctuate, depending on the number of complaints that are filed. Costs in excess of the legislative appropriation are handled through the Emergency Board. For example, during the 1993-95 and 1995-97 biennia, an unusual number of complaints required investigation and formal action, resulting in Emergency Board funding for higher than usual expenses. The 1999 Legislature added funding to provide a $50,000 biennial base for disciplinary actions.

The Commission has one goal, which is to investigate and, if appropriate, conduct hearings on complaints related to judicial fitness.

Governor's Budget

The Governor's Budget funds the Commission at the current service level.

Public Defender – Agency Totals

	1997-99 Actual	1999-01 Estimated	2001-03 Current Service Level [1]	2001-03 Agency Request [2]
General Fund	4,630,341	5,761,363	5,896,708	6,773,014
Other Funds	1,122	0	0	0
Total	**4,631,463**	**5,761,363**	**5,896,708**	**6,773,014**
Positions (FTE)	34.75	41.00	41.00	41.00

1 *The current service level estimate has been reduced by $11,000 to remove one-time funding from the Emergency Board for staff training and a computer consultant.*

2 *Historically, the Governor's recommended budget has accommodated the entire agency request for agencies exempt from the Governor's budget review (Legislative and Judicial Branches, State Treasurer, and Secretary of State). The 2001-03 Governor's recommended budget, while making no specific recommendations, funded only the current service level reduced by 2.4% for these agencies. The Governor's budget did not fund any of the $ 865,306 in General Fund budget packages requested by agency and is a reduction of $141,785 below the Governor's estimated current service level.*

Program Description

The State Public Defender is responsible for providing legal counsel to indigent persons at the appellate court level. The 1991 Legislature established responsibility for appellate representation, which has not been revised. The Public Defender was assigned biennial responsibility to represent defendants in: ten death sentence appeals; all but 204 felony appeals (the 204 have appointments through the Judicial Department Indigent Defense Program); all guilty plea, no contest plea and probation violation appeals; all parole appeals; and up to 318 misdemeanor appeals.

Revenue Sources and Relationships

The General Fund supports the agency. The agency has occasionally had Other Funds revenue from the sale of surplus property. These funds are used for attorney education costs.

Budget Environment and Performance Measures

The workload is driven by the number of criminal appeals filed by indigents and the legal complexity of the appealed cases. The 1997 Legislature approved an increase in staff and funding based on caseload growth during 1995-97 of 18%, and projected increases in 1997-99. In addition to the caseload increases, the agency experienced an 11% increase in staff-intensive felony trial appeals. Statutory changes and ballot initiatives also affect the number of appeals that are filed. The agency assumes its 2001-03 workload will be equivalent to 1999-01, with no significant changes projected. However, the Court of Appeals has reduced the length of time allowed for time extensions on appeal from 400 to 300 days, and the agency will be required to accelerate its work to meet this deadline. This will have a significant short-term impact on workload, as the agency attempts to complete appeals within the shorter deadline.

The agency requested additional staffing in 1999-01 to deal with increased workload. Based on agency estimates of a reasonable workload, the biennial caseload was 231 cases higher than could be effectively handled. Reversion of these cases to less experienced counsel appointed by the Judicial Department creates additional workload for the Supreme Court and Court of Appeals, and is not a preferred option. The 1999 Legislature added 6.25 FTE to deal with this workload, including converting limited duration attorney and clerical support positions to permanent funding, and funding three new attorney positions and two clerical positions. The agency also received additional funding from the Emergency Board in the 1999-2001 interim to deal with workload and agency management problems. The budget review will include an analysis of the impact of these efforts.

Action was deferred on issues related to salary parity with the Attorney General and on appropriate workload standards. These issues will be considered as part of the indigent defense evaluation that is being conducted by the Public Defense Services Commission, which was established by the 1999 Legislature in HB 3598.

The Public Defender is in the process of developing both workload and outcome measures, and will report on those measures as part of the budget review process.

Governor's Budget

The Governor's Budget is a reduction of $141,785 from the current service level. The Governor's Budget did not fund any of the agency budget request packages, including:

- Funding for the deferred action on salary parity for Public Defender attorneys and staff with the Department of Justice ($254,453);
- Funding for the appeals backlog, including private contracts ($259,600) and law clerks ($94,246). The agency has been actively addressing the appeals backlog, and expects it will be significantly reduced by the end of the 1999-01 biennium. While the requested level of additional funding may not be necessary, some level of funding will be required; and
- Funding for facilities and technology needs ($257,007), including 1 FTE technology position.

The budget includes a reallocation of $64,996 from personal services to services and supplies and a reduction of 1 FTE.

The current service level for the Public Defender was reduced by $11,000 to remove one-time Emergency Board funding for staff training and a computer consultant.

MISCELLANEOUS

Emergency Fund – Totals

	1997-99 Approved	1999-01 Approved	2001-03 Current Service Level *	2001-03 Governor's Recommended
General Fund	87,500,000	146,167,351	43,000,000	130,000,000
Positions (FTE)	0.00	0.00	0.00	0.00

* *Historically, the current service budget development has not identified an inflation factor or Cost-Of-Living-Adjustment for state employee salaries. A general purpose Emergency Fund is typically included in the current service level, however, no provision was made in the Governor's current service level for this purpose. The $43 million represents an LFO computation.*

Program Description

The Emergency Fund consists of General Fund appropriations made to the Emergency Board. The Board allocates money from the Emergency Fund to finance contingencies that are not addressed in approved agency budgets. The Board allocates money to finance general employee compensation increases. Appropriations are also made to the Board for allocation to specific agencies for specific 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. The following table separately identifies components within the Emergency Fund:

	1995-97 Approved	1997-99 Approved	1999-01 Approved	2001-03 Gov Rec
General Purpose Emergency Fund	35,500,000	38,200,000	41,900,000	30,000,000
Salary & Benefit Adjustment	52,000,000	62,500,000	40,000,000	100,000,000
Special Purpose Appropriations	n/a	n/a	64,267,351	0
Total	87,500,000	100,700,000	146,167,351	130,000,000

Budget Environment and Performance Measures

The size of the general purpose Emergency Fund has not expanded in the past several biennia proportionately with the growth in the General Fund budget. Unused special purpose appropriations have augmented the general purpose Emergency Fund.

The actual cost of implemented salary and benefit increases has significantly exceeded the amounts appropriated to the Emergency Board in each of the past three biennia. Appropriations in 1995-97 and 1997-99 financed approximately 70% of the actual increases. The $40 million appropriated in 1999-01 financed less than 50%of the actual increases. Actual costs above the amounts appropriated were absorbed within agency budgets, primarily through forced position vacancies and under-realized caseload growth.

Governor's Budget

The Governor's budget includes a general purpose Emergency Fund of $30 million and a salary and fringe benefit appropriation of $100 million. The recommended budget contains no special purpose appropriations. The Governor proposes that several known or potential contingencies be addressed within his recommended Emergency Fund appropriations:

- Measure 7 (2000) requires payment to landowners if government regulation reduces their property value. Implementation of this measure has been halted pending legal challenges. If implemented, unknown costs would be incurred for legal services and administration, let alone compensation for the reduced property value.
- Measure 99 (2000) constitutionally creates a new state agency, the Home Care Commission, to ensure high-quality home care services for elderly and disabled receiving publicly-funded personal care. The 2001-03 cost of establishing this agency is estimated at $1 million.
- Late in the budget development process, the Public Employees Retirement Board established the 2001-03 employer rates required to fund the retirement system. The state portion of the employer rate adjustment is estimated to cost $1.5 million General Fund.
- Under the Young v. Oregon court decision, certain exempt state employees have been determined to be eligible to make claims for overtime worked for the period June 1995 to August 1997. Because the claims process was only recently initiated, the total amount of claims and the potential for 2001-03 claim liability are not known.

INDEX